





Employment in Europe create more fobs?_



South Korea

South Korea gets more than it bargained for

FINANCIAL TIMES

UK to reappraise **Bosnia evacuation** as 39 fly to safety

Europe's Business Newspaper

Thirty-nine injured adults and children were flown from the Bosnian capital Sarajevo for treat-ment in Britain and Sweden. A further five are expected to be flown out by the Irish government.
Britain said it would be "reassessing" the situation as head of the UN medical evacuation committee Dr Patrick Peillod criticised the airlifts claiming that the operation had become a publicity exercise by western governments.

There was no fighting in Sarajevo following the Serb withdrawal from surrounding mountains, but fighting continued between Moslem and Croatian forces in central Bosnia. Page 12

KLM aircraft hijacked: The hijacker of a KLM aircraft on a flight from Tunis to Amsterdam forced it to land at Düsseldorf and demanded the freedom of blind cleric Sheikh Omar Abdel-Rahman, held in the US in connection with the bombing of New York's World Trade Centre. He also demanded the enforcement of United Nations sanctions against Serbia. He released all 131 passengers and four of the seven crew.

Call for world employment charter: UK employment secretary David Hunt has called for a world social charter of minimum employment rights to supersede the European Community's own social charter. Page 12

Nadir was offered RHM stake: It emerged that fugitive businessman Asil Nadir was offered a substantial stake in milling and baking group Ranks Hovis McDougall. Page 13

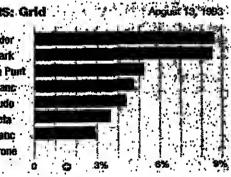
Rush for roubles: Former Soviet republics have been scrambling to obtain more roubles, suggesting that the Russian central bank's crude monetary reform may not have achieved its goal of a monetary divorce. Page 2

Palestinian deportees to return: Almost 400 deported Palestinians, who have spent eight months in no-man's land between Israel and south Lebanon, accepted an Israeli offer of a phased return. Page 4

Banque Paribas of France plans to become the first European bank to establish a separately capitalised derivatives unit. It has been granted triple-A status in the the highly credit sensitive market. Page 13

European Monotary System: There are 8.43 percentage points separating the strongest currency in the exchange rate mechanism, the Dutch guilder, from the weakest, the Danish krone after two weeks of the reformed system's operation. That is more than half of the permitted. divergence of 15 per cout. The D-Mark was nearing the level where central bank intervention would be necessary to reduce its value. Currencies. Page 23; Lex, Page 12

0.Mark irish Punt B.Franc Escudo Pescia F.Franc D.Krone



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. After the reformation of the exchange rate mechanism on August 2, 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The sole exception is the divergence between the D-Mark and the Dutch guilder, which remain tied to each other in a 2.25 per cent band.

Babangida set to announce government President Ibrahim Babangida is expected to announce tonight that the proposed interim govern-ment of Nigeria will contain about six military commanders but will be led by a civilian. Page 4 Canadian election expected: Canadian

prime minister Kim Campbell is likely to call a general election within weeks after her government persuaded the US to give Canada special treatment under the North American free trade agreement. Page 3

Venezuela approves oil projects: Venezuela has approved two oil projects worth \$4.8bn in which international investors will play important roles. Page 3

Electricity to be cheaper: Britain's larges companies should see hig reductions in electricity costs after a decision by the power industry to change the way prices are calculated. Page 5

Laurentian Group, Canadian financial services company being merged with Mouvement Desjardins, reported first-half net profit of C315.8m (US\$12m), up from \$14.3m a year earlier.

British Gas is expected to be spared from break-up in the recommendations of the Monopolies and Mergers Commission report due tomorrow. Page 5; Lex. Page 12

Storm hits Martinique: A three-year-old girl was missing, believed drowned, and about 10 people were injured as tropical storm Cindy swept the French Caribbean island of Martinique, leaving

Christie is world champion: Britain's Linford Christie ran the 100 metres in Stuttgatt in 9.87 seconds to become world champion.

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Justice Department to consider reviving federal case against Altman | World

US lawyer acquitted on **BCCI** fraud charges

Alan Friedman in New York

JUSTICE Department investigators will meet this week to consider reviving charges of bank fraud over the BCCI affair after the collapse of the case against Washington lawyer Mr Robert Altman.

He was acquitted on Saturday in a New York state court of charges that he helped the nowcollapsed Bank of Credit and Commerce International to illegally gain secret control of a US bank

The federal charges against Mr Altman, and his colleague Mr Clark Clifford, the 86-year-old for-mer US defence secretary who did not stand trial in New York because of ill bealth, were dismissed earlier this year at the request of the Justice Department, which did not want its case to interfere with the state prose-

. Legal experts, however, believe that the failure of New York pro-sectors to convict Mr Altman on eight fraud and bribery charges would make it difficult for the federal government to revive its own charges, which were similar to those brought in the New York

The acquittal on Saturday was a serious hlow to Mr Robert Morgenthau, the New York district attorney who has spent three years investigating the complex weh of BCCI's activities in the US and abroad. He has won three

Page 3

□ Acquittal clouds future of BCCI case

convictions related to the banking scandal with bundreds of millions of dollars of fines levied. But the Altman case was the centreplece of his investigations.
In the US the leadership on

investigating BCCl came from Mr Morgenthau, partly because the Busb administration's Justice Department had been noticeably lethargic in pursuing the case.
On Saturday, Mr Morgenthau
said that in spite of the verdict

his office's investigation of BCCI

would continue.

The case had begun to go Mr Altman's way last month, when the trial judge dismissed four of the elght criminal charges against him because of a lack of evidence. After the jury delivered its verdict Mr Altman said the



Robert Altman celebrates with his wife, actress Linda Carter (right), and friends after his acquittal on charges that be helped the now collapsed BCCl to illegally gain secret control of a US bank

case should never bave been tried: "The government put oo a five-month trial, and we put on a five-minute defence. There was

absolutely no merit to this." Mr Altman, who still faces civil actions relating to the BCCI scandal, insisted that neither he nor Mr Clifford knew that BCCl had secretly gained control of the Washington-based banking group First American. Mr Altman and Mr Clifford were both senior offi-

cers of First American. Jurora said after the trial ended that the presecution had not presented enough evidence to convince them of Mr Altman's guilt. They also said that the defence bad undermined the credibility of prosecution wlt-

Defence lawyers argued in their closing statements that Mr Altman was being used as a scapegoat by banking regulators to cover up their own failure to uncover BCCl's illegal ownership of First American.

At the time that Federal charges were dismissed, government officials reserved the right

to file the same, or even tougher, charges against the two lawyers if the state trial did not lead to a "successful conclusion".

Yesterday, a Justice Department spokeswoman said Ms Janet Reno, the attorney general, will make the final decision on the matter.

A number of key BCCI figures who have been indicted in the US, including Mr Sweleh Naqvi. the former BCCl chief executive, are in Abu Dhabl or elsewhere, beyond the reach of US prosecu-

Bank cuts back plan to become more open

By George Graham

THE WORLD BANK has scaled back plans to increase disclosure of information and to set up an appeals panel to review com-

The move has drawn criticism from non-governmental groups that have been lobbying for greater transparency in the insti-

ution's operations. Executive directors representing the World Bank's member countries discussed draft policy papers on the disclosure of its studies and reports, and the establishment of an inspection panel to review complaints about

Bank-funded projects last month. But revised drafts scale down the degree of disclosure, and aim for a more modest inspection panel than once proposed.

In a memorandum attached to

the disclosure draft Mr Ernest Stern, the World Bank veteran who is running the institution while Mr Lewis Preston, the pres-ident, recovers from surgery, says the proposals are based on the judgment "that the Bank should be more open about its policies and activities and that broader dissemination of Information will enhance the quality of our work and strengthen public understanding of it". However, the new draft has

eliminated all references to a reform which would have led to the Bank obtaining blanket approval from horrower countries for the disclosure of documents relating to them.

Executive directors at iast nonth's board meeting insisted on the need for some confidentiality in order to ensure frank dis-cussion with borrowers and among directors.

Mr Stern says in his memoran dum that the proposed disclosure procedures will "maintain the presumption of disclosure while providing the governments concerned an opportunity to review appraisal, country economic and sector reports and identify specific issues of confidentiality".

Blanket clearance has been a core demand for advocates of greater transparency, including

Continued on Page 12

W withdraws from war of words with GM

By Christopher Parkes in Frankfurt

VOLKSWAGEN bas withdrawn from the war of words over industrial espionage with car market rival Adam Opel, owned by General Motors, amid fresb media charges contradicting 'VW's claims that no Opel data ever came into its possession.

The troubled German group, which last Friday commissioned auditors KPMG Deutsche Treuhand to carry out an independent internal investigation, said it wanted to return to its main joh: making and selling cars.

We have done everything possible. We have carried out our own investigation and now set up

an independent examination," said Mr Otto Ferdinand Wachs, VW's executive director of public relations. "We are no longer prepared to discuss the matter and every new charge in public."

VW's decision to remain silent coincided with detailed claims in Der Spiegel, the weekly magazine, that 11 Volkswagen trainees had worked for several days at the end of March typing Opel data into computers in a VW property once used to house guest workers" from Italy.

The magazine also printed alleged excerpts from an affidavit hy Mr José Ignaclo López de Arriortúa, VW production director, and focus of theft, esplonage and fraud investigations.

"Neither before my leaving, in connection with my leaving GM, nor afterwards did I give secret GM/Opel information or data to Volkswagen," the extracts said.
"In particular I uelther inserted nor asked for any secret data to be inserted in VW computers ...

The reported contents of the affidavit suggested a further shift from his earlier position that he and bis colleagues - three of whom are also under investigation - took no secrets from GM and Opel, the US group's German subsidiary, when they left in March.

All VW's recent public relations efforts have been focused on dispelling the suspicion that it has been involved in spying.

On August 6, the VW supervisory board said an internal investigation bad found nothing to warrant 'charges' of industrial espionage. That statement was accompanied by an admission that "possibly" secret documents had been destroyed in Wolfsburg at Mr López's suggestiou along with personal effects from his former Opel office, and a declaration of "unaltered trust" in him.

Mr Wachs could not comment on reports that Mr Klaus Liesen, chairman of the company's supervisory hoard, was to work full-time with the executive management to belp it through the current crisis.

> Workers put trust in Lopez, Warriors in war of words, Page 28

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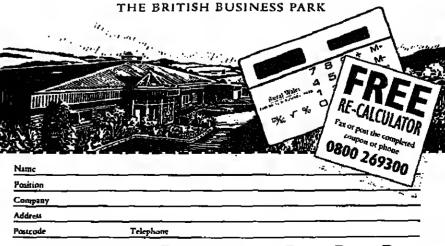
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European monetary union could hit jobs says EC study sort of impact it could have on

By David Goodhart, Labour Editor, in London

EUROPEAN monetary union could cause a substantial rise in unemployment according to an internal European Commission study which was considered too critical to be published.

The report said that larger scale regional aid would he needed within the EC to tackle unemployment in uncompetitive areas after the introduction of

The study, on the employment effects of monetary union, was produced last year for the then social affairs commissioner, Ms Vasso Papandreou.

Although the Commission, and DG 5, the social affairs directorate, are still committed to the Emu timetable, a significant number of officials in DG 5 have privately welcomed the likely delay of Emu and even the recent loosening of the exchange rate

mechanism. "Quite a few of us here are highly relieved that Emu looks as if it has been held up, given the employment," said one.
Some of Europe's main trade union centres, which have con-

siderable influence in DG 5, are also starting to review their support for Emu. The European Trades Union Congress still backs Emu, but Britain's TUC, for example, openly expresses doubts about when it can be implemented and which countries should qualify.
The Commission study says

that Emn will require greater regional transfers than those planned under the EC Cohesion Fund. Without such transfers a high degree of national fiscal flexibility will be needed if growth and employment are not

to be adversely affected. It warns: "The removal of the possibility of exchange rate adjustment when full monetary union is established will eliminate a major means of correcting supply imbalances across the Community and of restoring the competitiveness of particular countries or regions which suffer losses in trade shares.

"But the Maastricht treaty seems to rule out fiscal flexibility and to insist instead on compliance with the arbitrary ceilings imposed on budget deficits and government debt." The study also says movements

of labour between countries will not compensate for differences in employment opportunities and that disparities must be resolved hy larger regional transfers. Doubts about the employment impact of Emu are commonplace

outside the Commission but still highly controversial even inside DG 5 which thinks of itself as Europe's labour ministry. DG 5 has been dominated by French officials who have not

wavered in their support for Mr Jacques Delors, European Commission president, on monetary union or the social chapter. But the combination of a new social affairs commissioner, Mr Padraig Flynn of Ireland, a centre-right government in France, and the current emphasis on competitiveness, has led DG 5 to take more interest in labour market flexibil-

CONTENTS

The second secon hall, Casp Miles

Managed Funds 19-22

© THE FINANCIAL TIMES LIMITED 1993 No 32,141 Week No 33 LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Bosnian foes square up over maps

By Laura Silber in Geneva

ANY WESTERN bopes that international mediators Lord Owen and Mr Thorvald Stoltenberg can broker a quick settlement to the hloodshed in the former Yugoslav republic of unlikely to be fulfilled. When Bosnia's President

Alija Izetbegovic returns to the ace talks today, he will face Serh and Croat adversaries who are only willing to negotiate on the basis of military gains during the 17-month war. However, Mr Izetbegovic, a Moslem, reiterated at the weekend that he would only endorse a settlement which gave his Bosnian republic about 40 per cent of the territory of the proposed "union" of three ethnic republics. The new Bosnia, he said, would rentiy held by Serh forces, which until the outhreak of war was mostly Moslem.

Amid seemingly irreconcilable differences, the partles will today sit down to discuss the maps. Talks on future borders were stalled for two weeks while Serb political and mili-

Print W. St. Committee Com

tary leaders played cat and mouse with the international community over their pledge to hand over the strategic Mount Igman, captured during the talks. Serbs scoffed at Mr Izetbegovic's boycott of the peace process and ignored threats of military interven-

At the weekend Serh forces finally withdrew from Mount Igman, which overlooks Sarajevo, hut Mr Radovan Karadzic. Bosnian Serh leader. believes his military superior-ity will dictate the terms of a

Mr Izethegovic envisages that most of eastern Bosnia, which shares a frootier with Serbia and was Moslem before the war, will be part of the future Bosnian republic.

Mr Karadzic says "this is out of the question". He claims almost all of eastern Bosnia, under Serb control except for three remaining Moslem pockets, proclaimed UN "safe areas". Serbs need the frontier territory in order to form a Greater Serbia.

Mr Izethegovic insists that his Bosnian republic must have access to the northern



Amra Ramic and her mother Samira in Sarajevo yesterday before their evacuation. Amra has a spinal tumour

River Sava and to ports on the Adriatic Sea. Lord Owen has

backed this demand. However, Mr John Zametica, Bosnian Serb spokesman, says it would be "impossible for Moslem territory to have a physical outlet on the Sava and Adriatic".

Serb leaders also insist on Sarajevo's partition. Lord Owen seems to back the idea that the self-styled Serb state

has a legitimate right to parts of the city.

Mr Izetbegovic believes this would amount to the death of Bosnia. He will insist that Serb forces lift their 17-month siege around the capital when the talks get under way.
"Without fair maps, there is

no deal." Mr izetbegovic says, stressing he had accepted ethnic partition when faced with the alternative of more war. But he lacks power to break the Serb stranglehold. The size and viability of his future state depends on the will of the international community to provide the muscle to back a

Piedges from foreign powers face a crucial test. Mr Karadzic has repeatedly threatened that if Mr Izetbegovic rejects his offer of a land-locked republic comprising isolated pockets of territory, "the Moslems will be left with nothing at all". Bosnian Serb leaders privately boast they will make life so unpleasant in any union that the Moslems would soon

seek its dissolution. The mediators must realise the survival of the Bosnian republic cannot

depend solely on the goodwill of hostile Serb and Croat neighbours, but will need international enforcement. Ex-king sails in to

VW workers put their trust in López

EVERYTHING is concrete in Wolfsburg: the town hall, the post office, the shops, the tidy apartment blocks.

The uniformity confirms that the visitor is in a company

town. For Wolfsburg has been dominated hy Volkswagen Germany's second largest industrial group, since the foundation stone was laid in May 1938 for its car factory.

"Wolfsburg is Volkswagen," said Ms Christine Noack, a town hall official. "Every fam ily has some member working at the plant. Our past and future is linked to Volkswa-

named after Mr Ferdinand Por-sche, who engineered the original "people's car", the beetle. Volkswagen has built the athletics track and has helped build and finance the town's housing for 129,000 inhabitants. But for the first time since the second world war, the locals talk about unemployment. "We keep hearing about how uncompetitive we are, that we have to cut costs," said

The problem is that the executive brought in to cut those costs, Mr José Ignacio López de Arriortoa, is under investiga tion for allegedly acquiring confidential documents from General Motors, his previous

Mr Ralph Sieher is an outgoing, single, 28 year-old, who has spent 12 years working for VW. But he is worried about the future. "Thear that Lopez can make VW great again," he said. Mr Sieber admitted he had no idea whether the allegations against Mr Lopez were true. "I don't know what to believe. This public dispute is not good for our image."

the morning shift.
I'm confused about the whole scandal. I want Lopez to put things right. Its the first time I have questioned my security. We have to offer our children some hope, said Mr Harold Pfeiffer, a 51-year-old

However, VW's public relations personnel are keen to project the culture of abidi corporate loyalty. "The board has thrown its support behind Lopez. Everybody is innocent until proven otherwise," said Mr Otto Ferdinand Wachs, VW's executive director of pull

lic relations. *Of course, none of this is good for our domestic or inter-national image. Some of our critics say we have over-reacted in our response to these allegations about industrial esplonage. But that is not the issue," he says.

This row is not so much a confrontation between VW and General Motors/Opel. It is about the personality of Mr Lopez. GM is hurt because Lopez left. Lopez made General Motors and Opel much more competitive. GM knows that Lopez can make VW leaner and more competitive. Piech [VW's chairman] and Lopez make a great team," says Mr

"And after two, three, or four years with Lopez, VW will be much more competitive. So the other side has only one choice: discredit Lopez. In that sense, it is an industrial confrontation between two main compet-

Indeed, Mr Wachs and his colleagues asked whether GM might fiself have planted the documents. We wonder about it. Look, Lopez and VW have no need of these documents," said Mr Wachs. "But if he is forced out, the chance to create the third industrial revolution A similar concern about will have been lost, and with it.

VW's tarmished image, and a the chance to help the industry faith in Mr Lopes's talents, is get more competitive, I hope he shared by workers coming off will pull through."

Rebuff for Pasqua over foreigners

By Alice Rawsthorn in Paris

MR Charles Pasqua, France's hard-line interior minister, yesterday criticised the constitutional council for its decision to block some of his proposals to curb illegal immigration. The council, which vets all

legislation passed by the French parliament to ensure it conforms with the constitution, on Saturday vetoed eight of the 52 measures proposed by Mr Pasqua oo the grounds that foreigners would be denied the basic rights available to anyone on French soil

The rejected measures include banning foreign students from bringing their families to France and allowing iocal mayors to try to postpone, or forbid, suspected marriages of convenience between foreigners and French citizens. The council also opposed Mr Pasqua's controversial proposal to extend the detention



Charles Pasqua: renowned in France for draconian views

periods of foreigners who can not be deported because they have no identity papers. Mr Pasqua, renowned in France for his draconian views and forthright manner, said the council's decision was "politically motivated" and that "it does not correspond to

the wishes of the majority". However, he said he would comply with its request to revise the vetoed measures and would present new proposals

vened in autumn. Immigration has emerged as one of the most cootroversial domestic issues in France since the centre-right Balladur government took power in March. There are now about 4m foreigners living legally in the country and up to 1m illegal immigrants. Economic recession and the influx of emigres

INDEPENDENCE AWAITS TREATY

Bank of France's autonomy delayed

THE LAW making the Bank of France independent of the French government must be postponed until after implementation of the Maastricht treaty on European union, according to a ruling by the French constitutional council. The ruling, which should delay the legislation until after European Community summit in late October, comes at a

The French central bank is not only burdened by a deficit on its foreign exchange hold ings following its unsuccessful efforts to defend the franc, but is poised for a change of gover-

Mr Jacques de Larosière, the present governor, is expected this week to be appointed president of the Bank of European Reconstruction and Development in London and to be replaced at the Bank of France hy Mr Jean-Claude Trichet, a highly respected financier who is now director of the Treasury. He was previously an aide to Mr Edouard Balladur, now the French prime minis-

The independence of the Bank of France, required under the terms of the Maastricht treaty, has been one of the main legislative projects undertaken by the French centre-right government since It took office this spring. The leg-Islation was passed by parlia-ment earlier this summer but requires the constitutional council's approval before

The council's ruling means any move will have to wait until Germany has ratified the Maastricht treaty. The German parliament has already done so and the treaty is now awaiting approval by the German constitutional council, which is expected to announce its decision by early October.

A European Community summit, which will finally endorse the treaty, is scheduled for the end of that

test Greek waters

DEPOSED King Constantine of the Hellenes says he is just having a holiday in Greece, for the first time since the monar-chy was abolished in a referendum in 1974, writes Kerin Hope in Athens

But his cruise aboard a Greek shipowner's yacht, cess Anne Marie of Denmark and five children, is stirring controversy by resembling a royal progress more than a family excursion.

The left-wing opposition

expressed outrage that the government allowed the former king to come home. Mr Andreas Papandreou, the Socialist leader, demanded his immediate expulsion. One newspaper editorial wondered why his two eldest sons, both in their 20s, were not arrested on arrival and taken off to start military service, still

compulsory in Greece.

A judge in Thessalouiki last week ordered an investigation to determine whether the exking had committed any treasonable acts while on Greek soil, such as inciting citizens

to riot. Even the government panicked when the ex-royal family disembarked in northern Greece and set off to visit soldiers manning a border post on the frontier with Macedonia. Their jeep had to turn back after finding the road hlocked by embarrassed local police officers.

The minority of Greeks who admit to being monarchists have no trouble keeping up with the ex-king's activities. His trip is being exhaustively covered by a private Greek TV channel, owned hy another

Rexrodt in bid to free shop opening

By Quentin Post in Bonn

GERMANY'S highly restrictive laws on shop opening hours look set to become a new politi-cal battleground, in the cam-peign to liberalise the German economy and make it more internationally competitive.

Mr Gunter Recrodi, the economics minister and leading member of the liberal Free

Democrats, promised vesterday to try to scrap the laws, or radically liberalise them, after the elections next year.

The move would be fiercely resisted both by German trade unions and by traditionalists in the courtless but would be welcomed by consumers and working couples.
The present jaw requires all

shops to close by 1830 on weekdays and 1430 on Saturdays with a ban or all evening and Sunday trading. They are allowed to open late on Thurs-days, until 2000, and on every first Saturday in the month. The only exceptions are at garages and railway stations. where a grewing variety of goods is now being traded

throughout the day.

No moves are possible before the 1994 elections, because the

sensitive subject of shop opening hours was not included in the agreement negotiated by the coalition parties - including Chancellor Helmut Kohl's Christian Democrats, and the conservative Christian Social Union from Bavaria - for the

current parliament. Mr Kohl showed his own caution last night, in spite of his commitment to more liberallsation, when he spoke out in a television interview against Sunday working. He said It was essential to liberalise working hours to obtain longer machine running times - Ger many has the shortest in the industrialised world - but not at the expense of Sundays.

Mr Rexrodt, however, told the Welt am Sonntag newspaper that the restrictions on trading hours were a fundamental political error, dating from the 1950s.

"The time is ripe to scrap the law on trading hours, in the next legislative period, or at least to liberalise it radically,"

With more time to shop, he said, consumers could promote competition in the retail trade, with more part-time johs resulting from flexible hours.

Arab hijacks Dutch aircraft

AN Arabic-speaking mao claiming to have a homb hijacked a Dutch aircraft with 138 people ahoard vesterday. He forced it to land in Düsseldorf and demanded to be flown to New York, AP reports from Düsseldorf. It was not clear whether the man was armed. He was said to have demanded the US free a blind Islamic cleric, Sheikh Omar

Abdel-Rahman, linked to the bomhing of New York's World Trade Centre.

released as the KLM aircraft, which had been en route to Amsterdam from Tunis, Tunisia. sat on the tarmac at Rhein-Ruhr Airport.

The aircraft, a Boeing 737-400, has a range of 3,800 km and would thus have to make an intermediate refuelling stop to reach New York. It would first, however, require refuelling in Düsseldorf.

Shortly before 1300 GMT yesterday, the hijacker gave the aircraft's captain a note in All passengers and four of English saying he would hlow the seven crew members were up the aircraft if it were not

flown to New York, according to KLM in Amsterdam. The aircraft landed in Düs-

to parliament when it recon-

from eastern Europe has

heightened concern.

seldorf half an hour later. By 1530 GMT all but three of the crew members - the pilot, a co-pilot and a steward - had been freed, the airport official Authorities said no one had

heen hurt. The hijacker was demanding that the aircraft, which was surrounded by security forces and parked in front of a hangar, be refuelled. Police were negotiating with the hijacker hy radio.

Romania's striking train drivers defiant

ROMANIA'S railways remained at a near standstill last night as train drivers continued to defy last Friday's supreme court decision to suspend their strike for 80 days. writes Virginia Marsh in Buc-

All but a few of the country's 18,000 train drivers supported union calls to continue the strike which began last Wednesday, Radio Bucharest

The strike, considered the most serious labour conflict since the overthrow of the Ceausescu regime in 1989, has blocked rail traffic through the Balkans and left thousands of Romanian holidaymakers stranded in train stations around the country. However the government has made little attempt to mediate, or provide emergency alternatives, even though many Romanians depend on public transport.

Moscow's monetary reform traumatises republics

Russia's withdrawal of pre-1993 banknotes earlier this year has not

ORMER Soviet republics have been scramhling to agree terms with Moscow to obtain more roubles, suggesting that the Russian central bank's crude monetary reform may not have achieved its goal of a monetary divorce.

Aithough the main damage caused in Russia by the withdrawal of pre-1993 banknotes was psychological. the operation was a blow for neighbouring republics. They had, in recent months, heen conducting much of their trade with Russia with pre-1993 banknotes ahead of westernstyle credit agreements to finance energy imports from Russia.

Most important, the operatioo does not appear to have prompted the republics either to cement their independence with their own currencies, or to keep the rouble using budgetary, monetary, and customs policies dictated by Russia.

When the central bank dropped its rouble bombshell at the end of July, only the three Baltic republics and Kyrgyzstan had introduced their own fully-fledged currencies. Ukraine and Georgia, and to a lesser extent Belarus, had introduced their own surrogate currencies which were everything hut coovertible.

Turkmenistan and Azerbaijan. which have their own energy sup-

had the intended result among its neighbours, writes Leyla Boulton piles, promptly declared they intended to part with the rouble, but the signs are the others will con-

tinne to delay a decision. To enable salaries to be paid and goods to be purchased domestically, Uzbekistan, Kazakhstan, Armenia and Tajikistan have said the old rouhles will remain legal tender at home. But to avoid a hreakdown in trade and to obtain some new "real money", they have been conducting feverish oegotiations with Russia to secure new banknotes, before finalising conditions for using the rouble as their own currency.

Cynics say there is nothing to stop republics such as Uzbekistan, which has already received Rbs50bn in new banknotes, from taking the new notes as a free gift from Russia and then introducing their own cur-

the policy was meant to achieve, and what is being negotiated with the republics, remain confused. Mr Alexander Khandruvey, deputy chairman of the central bank, said on Friday Russia wanted to create a

Meanwhile, explanations of what

NEW regulations are to go into effect today fixing the exchange rate of the Ukrainian currency to the dollar for some trade-related dealings, writes Chrystia Freeland in Kiev. Ukralnian enterprises, which are obliged to sell 50 per cent of their hard-currency earnings to the government, will be reimbursed at the fixed rate of 5.970 copposes to the dollar. The change is part of the

government's attempt to obtain enough hard currency to offset the country's growing balance-ofpayments crisis, triggered hy Russia's shift to charging world prices for its oil exports to other former Soviet states. However, top government

monetary and economic union whereby other republics would have their own currencies hut conduct trade with the Russian rouble. In the meantime, he said, Russia had to "help" republics like Kazakhstan. which were not yet ready to introduce their own currency.

reformers criticised the move as a throwback to the days of central planning and said it would encourage capital flight from

Under the old rules, enterprises were compensated for the hard currency they were chilged to sell to the government at a floating exchange rate determined by twice-weekly hard currency auctions held at the central bank The new regulations allow

eoterprises to trade dollars above the 50 per cent surrender requirement at floating rates. They also allow Ukrainian citizens to buy or sell foreign currency in unrestricted quantities

Such belp could involve printing their own currency for them, and might involve giving them shipments of new rouble banknotes Given the problems generated for the republics by Russia's sudden change of policy in July, they should be keen to introduce their own cur-

at the floating rate.

rencies. But, while a national currency is a true sign of independence and gives a republic the tools to pursue an independent economic reform policy, it is fraught with risks.

The arguments against a national currency include painful macro-economic policies needed to support a . sound currency, which Estonia has achieved, but Ukraine, for instance, has not. Another powerful incentive for sticking with the rouble could be that those republics introducing their own currency will have to pay world prices for energy supplies from Russia.

the central bank has been considering its own currency while the government has been looking at monetary union with Russia, reflects the difficult choices facing a republic heavily dependent on Russian energy to run its industry.

Delegations from Armenia and

The confusion in Belarus, where

elarus were in Moscow last week for talks. Mr Vladimir Manoyan, a government spokesman for Armenia pleaded an absence of reserves (the country is spending most of its

money on supporting the war with Azerbaijan) and an economic blockade as special reasons for sticking with the rouble for now.

But while accepting that Armenia, Tajikistan and Moldova – all small states involved in political and military strife - were special cases which could keep the ronble, Mr Khandruyev said the aim of talks with Belarus was different.

Because Belarus had already introduced its own currency when it started printing coupons to make up for a shortage of rouble banknotes last year, he said details now needed to be worked out on how, for instance, it would pay for Russian energy supplies.
On the domestic front, Mr Khan-

druyev said the objective of forcing individuals to place more than Rbs100,000 in bank accounts, at interest rates far lower than inflation, was to make entrepreneurs declare untaxed revenues. But implementing the policy is proving fraught with difficulties Perhaps the only positive outcome

of the rouble move is that it has tested the tender shoots of a growing civil society, with the Russian Association of Banks asking the constitutional court to examine whether the move violated property rights.

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Counting the cost of trade impasse

By Frances Williams in Geneva

CONSUMERS worldwide are paying billinus of dullars in higher prices for many goods and services because of governments' failure to conclude the Uruguay Round of global trade talks, the General Agreement on Tariffs and Trade says in a report published today.

The report marks another step in the campaign by Gatt's new director-general, Mr Peter Sutherland, to convince political leaders and a wider public of the benefits of a swift conclusion to the long-delayed

GOVERNMENT SUPPORT FOR AGRICULTURE

	total	5 pe
Australia	1.6	
Austria	4.2	53
Canada	9.1	. 33
EC	155.9	45
Finland	4.5	91
Japan	74.0	60
New Zeeland	0.1	1
Norway	4:1	. 97
Sweden	· 3.2	. 37
Switzerland	5.a	84
us ·	91.1	. 36
OECD Total	353.7	44

negotiations. The round, launched in 1986, is now due to end in mid-December, three years behind schedule.

Commenting on the report, which draws together the results of independent research, Mr Sutherland said virtually all protection meant higher prices. "It is high time that governments made clear to consumers just how much they pay - in the shops and as taxpayers – for decisions to protect domestic industries from import competition."

Gatt notes that European Community consumers each paid an average of \$450 (£302) last year in higher prices and taxes to support EC farmers, according to the ORCD. For the US, the cost was \$360 per head, and for Japan \$600:

For clothing, Gatt estimates based on earlier studies suggest that protection may now be costing a family of four up to \$420 a year in the US, \$220 a year in Canada and \$130 a vear in Britain.

op opt

High trade barriers imposed by the EC on Imports of electronic goods cost consumers almost \$1.3bn a year, according to Britain's National Con-Yet trade protection, which:

hits poor bouseholds hardest, cannot be justified as an effective way of saving threatened jobs, Gatt argues. The Uruguay Round, if successful, will cut tariffs by at

least a third, eliminate quotas and many other restraints on trade, reduce farm subsidies and strengthen Gatt's fair trade rules.

victory on Nafta talks

By Bernard Simon in Toronto

CANADA'S Progressive Conservative government is congratulating itself on a hig political victory in persuading the US to give Canada special treatment under the new envi-ronmental and labour side-accords to the North American free trade agreement.

With prime minister Kim Campbell expected to call a genaral election within the next few weeks, the deals have given her another opportunity to distance berself from the unpopular, pro-Washington record of her predecessor, Mr

Brian Mulroney. Under a last-minute compromise, Canada won the right to refer environmental and labour disputes to its domestic courts as a last resort, rather than face a suspension of Nafta trade benefits.

At the end of last week, Mr Tom Hnckin, Canada's trada minister, said: "I could not tolerate that option for Canada because we negotiated Nafta to

knock down trade barriers."

As a result of a compromise reached at close to midnight on Thursday, any dispute involving a Canadian company will be referred in the last resort to the Canadian courts.

Mr Hockin said all three governments envisaged that trade sanctions, and referral of disputes to the courts "will hardly

Canadian trade officials how ever, have played down the importance of the dispute-settlement mechanism in the side-

the deals lay more in the machinery for co-operation and consultation than in their punitive measures.

The dispute settlement mechanism can be invoked only in cases where it appears that one of the three governments is consistently failing to enforce the labour or environmental standards set down in domestic law. Although companies and

individuals will be able to submit complaints, only the three governments will be able to invoke the complex dispute settlement mechanism Action against individual polinters falls outside the

scope of the side-agreements

and remains the responsibility of the host government. The Canadian parliament has already passed legislation implementing Nafta. It will not be proclaimed law however,

until the agreement has been ratified by the US and Mexico. The side-deals will require only a minor amendment to an existing law. However, Canada's prov-inces, which have jurisdiction

over large areas of labour and environmental policy, will not be bound by the agreements until they sign on.

The opposition Liberal party said the side agreements failed to satisfy its objections to Nafta. A spokesman said a Liberal government would seek to renegotiate the agreement to give Canada a better deal on such issues as energy, subsi-dies and dispute settlement.

Canada hails Acquittal clouds future of BCCI case

Altman case raises fundamental questions

about bank fraud, writes Alan Friedman HE acquittal on Satur-day of Mr Robert Altthau, partly because the Bush

man was a serious blow to the prosecutors who have been toiling for years on the case from the office of Mr Robert Morgenthau, the respected Manhattan district attorney who has led the world in tackling the corruption at BCCL The development also raise

المكان المكال

fundamental questions for US law enforcement officials that are both specific and general in the BCCl case. First, there is the issue of where to go from bere on BCCL Then there is the broader matter of how bank regulators and prosecu-tors can best tackle international bank fraud when it transcends national boundaries.
The joint indictment 13

months ago of Mr Altman and of Mr Clark Clifford, the for-mer US defence secretary, was the high-water mark in the campaign to prosecute those suspected of involvement in BCCT's 20-year history of fraud

In the US the leadership on BCCI came from Mr Morgenadministration's Department of Justice had been noticeably lethargic on the case.

The 86-year-old Mr Clifford bas been able to avoid trial thus far on the grounds that he is too ill to come to court. Charges against him have been deferred, and few in Washington expect him ever to go to trial. Separate charges against both Mr Clifford and Mr Altman were lodged in Washington, but these too might he dropped as a result of the New York acquittal.

A number of the key BCCI figures who have been indicted in the US, including Mr Sweleb Naqvi, the former BCCI chief executive, are meanwhile in Abu Dbabi or other places beyond the reach of the US.

It is thus unclear, aside from appealing against the Altman conviction, how Mr Morgenthau's office will proceed from here. There is a real risk that those BCCI officials involved in the more sbocking acts of corruption will ultimately escape

In broader terms, the Altman acquirtal highlights the difficulty of policing the international financial markets when no single regulator is in charge of monitoring specific institu-

After the BCCl trial's collapse in New York, the next important international banking scandal to find its way to US courts will be the trial next month of Mr Christopher Drogoul, the former manager of the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL). The BNL case is very different, however.

Mr Drogoul is accused of defrauding the US government and BNL's Rome head office by making more than \$5bn (£3.3bn) of improper loans to

The difference, bowever, is that Mr Drogoul, joined by investigators in the US Congress and the Italian parliament, has claimed the Atlanta loans were secretly counte-nanced by the US and Italian governments as part of the tilt towards Mr Saddam Hussein.



Robert Mnrgenthau: took the leadership in the US on BCCI

names third bank governor in year

BRAZIL's chief debt negotiator has been named the country's new central bank governor in yet another shuffle of key economic personnel after a public clash between President Itamar Franco and the former governor.

Mr Pedro Malan returns from Washington to replace Mr Paulo Cesar Ximenes, whose turbulent five months as governor came to an end on Friday night. Mr Ximenes resigned along with the whole of the bank's board after a dispute with the president over the

validity of predated cheques written before the country's recent change of currency. But the two had repeatedly come to blows over Mr Franco's low

interest rate policy. Although the husiness community was irritated by yet another change in tbe economic team - there have been three central bank governors and five finance ministers in the past year - the choice of Mr Malan was generally welcomed, as was the accompanying announcement by Mr Fernando Henrique Cardoso, the finance minister, that interest rates are to drop.

Mr Malan is considered to have done a masterful job at negotiating a Brady deal for restructuring Brazil's \$44hn (£29.5bn) commercial debt amid the country's economic crisis. The deal is due to be completed on November 30 though the timing could be jeopardised by the country's continuing failure to reach a new accord with the interna-

tional Monetary Fund. Mr Malan bas excellent relations with tbe international financial conununity, baving lived for 10 years in Washington, where he has worked for the World Bank and Inter-American Development

Aged 50. Mr Malan also appears to have unusually long staying power by Brazilian standards. He has held his position as debt negotiator for three years despite numerous changes at the belm of the Finance Ministry.

Assuming the mantle of Central Bank governor is an unenviable task, with inflation for this year nearing a record 2,000 per cent. Mr Malan has already turned down the job on two previous occasions. But he was persuaded by Mr Cardoso, with whom he enjoys close working relations.

Caracas approves two oil projects

By Joseph Mann in Caracas

THE Venezuelan Congress has approved two oil projects wor概 a tital of \$4.8bn (£3.2bn), in which international investors will play an important

The two joint ventures involve the production, upgrading and international placement of heavy crude oil from Venezuela's Orinoco Belt, the world's largest accumulation of heavy oil and bitumen. In both projects, the Venezuelan partner will be Mar-

PDVSA. Conoco, a unit of E.l. du Pont de Nemours, will hold 49.9 per cent equity in one project that calls for total expenditures of \$1.7bn. The promoters plan to produce 120,000 barrels

aven, a subsidiary of Venezuela's national oil company,

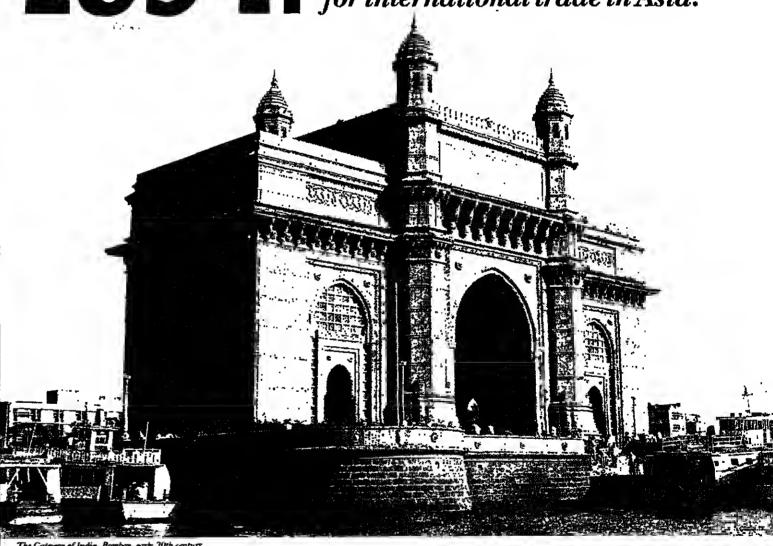
per day of heavy crude oil and use a delayed coking process to make lighter crude that can be processed by a Conoco refinery in the US: Maraven will also have 49.9 per cent equity. In the other project, which has a projected cost of \$3.1bn,

the international partners will

be France's Total and two Japanese companies, Itochu and Marubeni At present, Total is expected position of the projects could change if new international

partners were added. On August 10, the Congress investment in Venezuela's oil and gas industries for the first time since the 1976 nationalisa-

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Beijing puts new clamps on media

By Tony Walker in Beijing

CHINA has announced additional restrictions on news dissemination in a clear sign that as part of the current austerity drive the authorities are also intent on reining to the local media

The State Council, or cahinet, warned in the new regulations, issued at the weekend, against the holding of unauthorised news conferences, and urged the press to concentrate on "positive news".

The State Council circular stated that news conferences should focus on "important issues" such as promoting economic and spiritual civilis-

The crackdown on the spread of information coincides with attempts by the central government to regain control of the economy under a new stabilisation plan introduced

last month. It also comes amid signs of a sterner attitude towards art and literature generally with the banning late last month of the award-winning film, Farewell To My Concubine. The authorities have given no reason for the ban, hut members of the leadership are believed to have been incensed by the film's negative portrayal of the Communist party.

The State Council circular also warned against the leak-ing of "party and state secrets" using language reminiscent of an earlier, less liberal era.

The new regulations follow measures introduced this month to penalise severely journalists who accepted hribes or other financial

time in politics, and the

reformist patrician sworn in

last Monday as Japan's prime

THE South Korean stock market fell for a second day on Saturday in response to an immediate ban on anonymous financial transactions, but there were indications that investor panic at the measure could subside this waek.

writes John Burton in Secol.

The general share index fell to 666 on Saturday, an 8 per cent drop since Thursday, when the anti-corruption action was announced The fall on the market was caused hy

investors liquidating their false-name accounts to move their funds elsewhere and avoid paving taxes.

ume at 21.2m shares was up sharply from Friday's 1.3m shares, indicating that institutional investors were enter-

Investors are liquidating their false-name accounts

huying opportunities. heen expected that holders of falsename accounts would rush to acquire gold and illegal dollars in an attempt to hide money from the tax authorities. The property market was calm after officials said they would need to approve all transactions for the next three months to prevent the flow of

hidden money into that sector.

Cash withdrawals from banks were reported to be at normal levels, with few customers shifting false-name accounts to ones held under their real names as required under the new rules.

Sales of safes fell sharply, however, as the government announced that it would track buyers who could possibly

use them to conceal their asse Most lenders on the unofficial kerb market, which is largely financed by the money held in the false-name accounts, remained closed
Small and medium-sized businesse

depend heavily on the kerb market for financing, but the virtual closure of the kerb market has not so far affected their operations

The central bank reported that few husinesses were requesting the emer-gency loans which had been offered by government to prevent possible bank ruptcies resulting from the introduction of the real-name system

Deportees in phased return

Almost 400 deported Palestinians, who have spent eight months stranded in noman's-land between Israel and south Lebannn, yesterday accepted an Israeli offer of 8. phased return, writes David

Horovitz from Jerusalem.

About half will return next month, with the rest returning at the end of the year. The deportees, mostly linked to the fundamentalist Hamas and fundamentalist Hamas and Islamic Jihad movements in the occupied West Bank and Gaza Strip, were expelled last December after six Israeli soldiers had been killed in the occupied territories.

Until yesterday, the deportees had insisted Israel take back all or none of them. But after debating the latest

back all or none of them. But after debating the latest Israeli uffer, spokesman Abdul-Aziz Rantisi yesterday said they had changed their position because over 100 of them needed medical care; because their families wanted them home; because the UN had failed to press for the implementation of a December 18, 1992, resolution calling on Israel to repatriate them all immediately; and because the Arab world had ignored their pleas to boycott the Middle East peace process until they were allowed home.

Charges over Hussein plot

Ten Moslem fundamentalists in Jordan are to be charged with plotting to assassinate King Hussein at a university ceremony last Jnne, writes James Whittington in Amman. In April, 31 students and

staff from Mn'ta University were arrested. All of them were suspected members of the banned Islamic Liberation party, which seeks to establish an Islamic state in Jordan. Twenty-three have heen released, but security sources confirm that the remaining eight, along with two other suspects still at large, will be formally charged with treason, an offence punishable by death.

In a separate development Jordan un Saturday hanged two men convicted of spying for Israel, according to local

Gunmen kill 16 in India

Gunmen killed 16 bus passengers on the Jammu-Kishtwar road in northern India at the weekend, writes Shiraz Sidhva from Srinagar. Witnesses said the gunmen asked Moslems to get off the has before spraying bullets into the 16 remaining Hindu passengers, killing 14 immediately.

inducements - what was described at the time as "newswriting for illicit payment". The authorities were react ing to the fairly widespread But analysts noted that trading volpractice of Chinese journalists accepting money to write flattering articles about companies Tighter restrictions on the media coincide with attempts hy Betjing to combat corruption, fight tax evasion, and

counter rampant smuggling across China's borders. The Bank of China, the country's central hank, will issue its first Hong Kong dollars next May, one of its vice chairman was quoted as saying yesterday, Renter reports from

and their products

The Initial volume was expected to be in the region of HK\$3bn to HK\$6bn (£258m to £517m), Mr Huang Diyan told

the Xinhua news agency.
Until now, the British colony's dollars have been issued only by the Hong Kong and Shanghai Bank Corp (HKSBC) and the Standard Chartered Bank. A British colony since 1842. Hong Kong becomes a Chinese special administrative region on July 1 1997.

Mr Huang said all the necessary legal procedures for the issue were completed, leaving only technicalities to sort out, "We sincerely hope that the Hong Kong Bank, Standard Chartered and other interna-tional hanks will stay and develop in Hong Kong on a long-term basis, so as to jointly work toward the prosperity of Hong Kong's financial market and consolidate and further promote its status as an international financial centre," he

ing the market to take advantage of Meanwhile, gold prices and the hlack market dollar rate stabilised. It had

A defendant (left) raises the Koran in defiance from behind prison bars during the first sion of a Cairo military

South Korea shares continue to fall

trial yesterday. Fifty-three Moslem militants are accused of belonging to an illegal organisation plotting to overthrow the Egyptian government, Renter reports.

Rarlier a Cairo civilian court at the weekend acquitted 24 alleged Moslem militants who were accused of murdering parliamentary speaker Mr Riffat Mahgonb, who was gunned down together with five of his bodyguards in October 1990, adds Shahira

The State Security Court cleared 14 of the defendents on all charges and jailed the remaining 10 for terms ranging from three to 15 years for possession of arms, forging documents and other related charges.

The verdict was in sharp contrast to the 15 death sentences passed by military courts on Moslem fundamentalists in the past two months.

After a spate of terrorist stracks by Moslem extremists, resulting in the death of over 170 people in the last 18 months, the Egyptian government has resorted to military courts in cases involving Moslem militants to ensure harsh and swift

ual services in occupied coun-

how much more Japan needs

report yesterday said Mr Hoso-

ting aside as much as Y1,000bn

(£6.7bn) as a war legacy for its

Such a sum would be likely

to cause palpitations among

as contemplating set-

Kawa w

Asian neighbours

Babangida set to compromise on government

By Paul Adams in Lagos

Ihrahim PRESIDENT Babangida is expected to end uncertainty over the make-up of the proposed interim govern-ment when he addresses Nigeria's national assembly in the capital Abuja tonight. Government officials have

speculated that the new admin-

istration will contain about six military commanders but will be led by a civilian, with the possibility that President Babangida could retire from the army and remain in office.
It has also been suggested that the new government will he subject to a higher military council and will lack power, as was the case with the outgoing transitional council appointed

m January Nigeria's three-day strike, which ended on Saturday, showed that pro-democracy groups can defy the military regime hy peaceful protest in Lagos and the south-west, hut cannot rally support in the rest of the country.

racy (CD), the loose association of civil liberties groups which is behind the civil protest, claim the arrest without trial of three of their leaders, including chairman Dr Beko Ransome-Kuti, closure of some of the independent press and the passing of some repressive decrees have left Nigerians more politicised in the past two months than in 10 years of military rule. The CD's unconditional

rejection of the interim government commands support in the south-west, the Yoruba home-land of Chief Moshood Abiola, victorious candidate in the annulled June poll. The Nigeria Labour Congress

(NLC), while committed to civilian handover on August 27, has not upheld Mr Abiola's claim to be the next head of state but only the oil workers' union has said It is ready to strike before August 27. An oil strike could cut the government's only big source of foreign exchange.

went largely to the LDP.

The Social Democrats are

expected to protest if the debate extends to the trade

union contributions with which it is largely funded. The

Shortest of honeymoons for Hosokawa

minister has given himself a summer hreak at the end of it.

Spending a few days north-west of Tokyo playing tennis and reading, he can

kawa is on hollday.

A week can be a long

The seven have failed to agree on the core issue of which electoral system should with whom they have no party or ideological differences.

The system heing mooted mixes deputies elected by single-seat voting districts, and hy a nationwide party tally under proportional representation. Seven party mathematicians have worked out the most favourable outcome for each, and no mechanism has yet been found which will avoid electoral hara-kiri for at least one of the partners.

future on delivering political reform by the end of the year,

gives a policy speech to the his office to do so in so formal fort women into providing sex. in income tax and compo

issues have been highlighting the fragility of the alliance grouping Socialists, Buddhists and those who defected from the Liberal Democratic party towards the end of its 38-year conservative rule.

racquet yesterday to join Emperor Akihito at the governthe second world war. The premier offered his condolences to

Leaders of the left-wing Social Democratic party, largest member of the coalition, to atone for past wrongs. One showed up for the first time.

Japan Renewal party formed hy more recent - and, some helieve, relatively unreconstructed - LDP departees.

spending as the country's economic slowdown knocks tax

tory increases in VAT will bettries has sparked debate about ter stimulate demand - an idea to which the SDP is deeply hostile - as well as whether to pass on to consumers the benefits of the stronger energy prices.

ncome for the country's political parties themselves is under review. The government wants to abolish cor-Finance Ministry hureaucrats trying to restrain government porate donations, and apparently won a convert yesterday in Mr Gaishi Hiraiwa, head of the Keidanren, Japan's largest business grouping. He is proposing an end to contributions,

SDP is anyway engaged in an awkward perioid of introspection following an announcement on Thursday by Mr Sadao Yamahana, its chairman, that he would submit to a leadership contest. Mr Yamahana, a moderate is also minister in charge of

political reform in the new gov-

If he is ousted hy a challenger from the SDP left, which is less than comfortable with its coalition partners, Mr Hosokawa's arithmetic could be altered dramatically.

bask in approval ratings put hy opinion poils at around 75 per ceut. But the evidence of the week is that holding together the seven parties in his coalition will he nothing other than hard work.

replace the current multi-seat constituencies. These are blamed for engendering corruption as candidates spend money competing with others

Gordon Cramb on the Japanese prime minister's need to serve many political aces

A decision has been put off until after Mr Hosokawa, founder of the year-old Japan New party who has staked his

In the meantime, other

Mr Hosokawa pnt down his

ment's annual ceremony marking the surrender of Japanese imperial forces at the end of Asian victims of the country's aggression, the first holder of

But down the road, four of his cabinet paid their respects at the Yasukuni shrine to the memory of Japan's own war dead, including those deemed war criminals. They were all from the

An admission by the LDP, on its final day in office, that the army dragooned so-called com-

revenues. Ministers will have to preside in the next few weeks over arguments about whether cuts

put at Y13bn a year which

The prime minister is on vacation until Thursday, hut his political honeymoon may already be over.

Ignore the gripe, don't believe the hype

TO JUDGE BY the rhetoric of economic commentary, almost every mbig ajor economy is in dire straits. The US recovery is heading from anaemic to "seriously in doubt" in the pundit's lexicon. Recessionary Japan is meanwhile on the verge of a "double dip". The effects of Germany's deepening recession are spreading across the continent. Only the British economy, despite setbacks to its nascent recovery. has "defied the sceptics" over the past six months. But the conventional economic wisdom is more than usually misleading.

The US economy has been diffident about recovering because, at least by past US standards, it had a short dose of recession to recover from. Federal reserve chairman Alan Greenspan's move to cut interest rates in 1990 spared the US a lengthy period of negative growth. Output fell hy just 2.2 per cent between the second quarter of 1990 and the first quarter of 1991. It has since more than recovered this lost ground, as the chart shows. But American consumers had only a year to correct their debt laden balance sheets before they

ment, the fact that personal sector dehts remain equivalent to 100 per cent of disposable income, compared with 75 per cent

in 1980, makes for a restrained upturn. The UK recovery, while also held back hy personal sector dehts, may prove faster than America's But once again, the chart puts matters in perspective. The UK is currently recovering from two years of falling output and high nominal interest rates. UK output fell by 4 per cent between the second quarter of 1990 and the second quarter of 1992 and has not yet returned to

its level at the heginning of 1989. Japan's record does not look too bad when judged against this rather dismal Anglo Saxon performance, Despite last week's worries about a "double dip". Japan has harely had a single dip worth noting. Japanese output fell hy a mere 0.6 per cent between the second and third quarters of 1992. It has risen by 14 per cent since the end of 1988. Only Germany's recent performance fits

were expected to begin the cycle all over again. After this hrief period of retrench-year, west German output has fallen by 2.8 per cent. Even so, this fall followed a dramatic period of post unification growth. Between the fall of the Berlin Wall in late 1989 and the onset of recession, output rose by 9.9 per cent. And France and Italy, while facing a difficult year, have not experienced anything like the falls in output that deht-hurdened America and Britain have suffered.

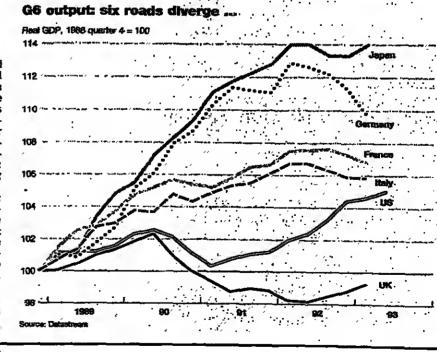
So why this need to describe every economy with the same doom-laden language? Headline writers are partly to blame. But politics also plays a role.

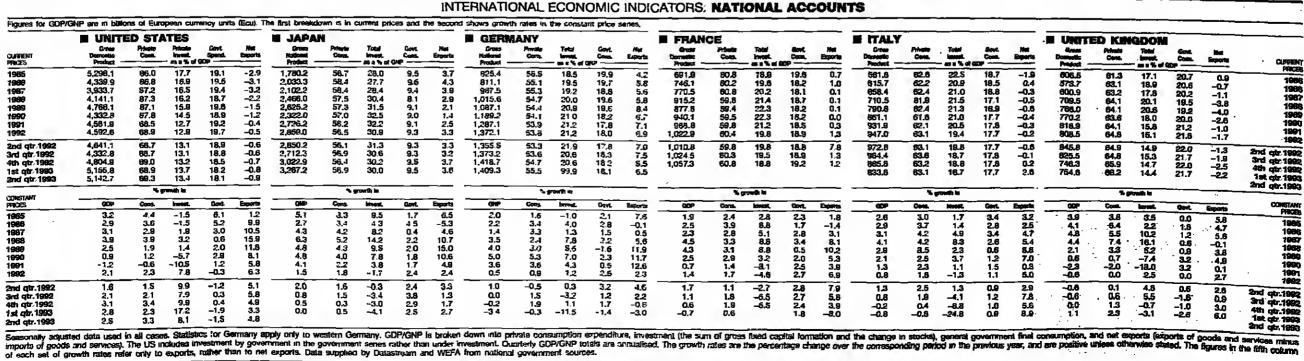
in Britain, government politicians have been relieved at the pace of recovery, even though economists remain sceptical about its staying power. Across the Atlantic, things are less comfortable. President Bill Clinton, like Mr Bush before him, faces a politically potent gap between economic performance and expectation. To fill it, the new resident at the White House has turned abroad - to Germany and Japan to provide the boost to demand which US

public opinion demands. Mr Clinton's quest for growth has had some success. The Bundesbank is still holding out against US and European demands for further German interest rate cuts. But Japan's current account surplus has proved an easier target. Though foreign trade accounts for only around 11 per cent of American CDP, US Treasury officials have successfully exhorted the Japanese government to boost their domestic economy through higher public spending and further cuts in interest rates.

The Clinton administration has a point: the Japanese economy is losing momentum, less government saving and more demand for imports is the best way to cut the trade surplus, and boosting Japanese domestic demand might help the US recov-ery along. But the chart makes attempts to fault Japan's recent contribution to world growth seem a little short termist.

> Stephanie Flanders and Edward Balls





British Gas expected to escape break-up

العادة المالك

By David Lascelles, Resources Editor

BRITISH Gas, the privatised utility company, is widely expected to be spared from break-up in the recommendations of the Monopolies and Mergers Commission report due to be released tomorrow.

The report is likely, however, to call for a more transparent structure to the giant gas company, as well as the phased removal of its monopoly of the tariff market for domestic households and small businesses.

A second report will also recommend a rate of return for British Gas's pipeline and storage business,

setting the stage for greater competi-tion by new entrants into the gas market

The contents of the two longawaited reports, which run to 2,000 pages, have remained closely guarded since they were delivered by the MMC to the Department of Trade and Industry and Ofgas, the industry reg-

ulator, two weeks ago. Even British Gas has only seen part of the reports, though it will receive both today, ahead of tomorrow's pub-

Unusually, the Monopolies and Mergers Commission (MMC) is expec-

reports tomorrow. This is because of the complications caused by the four separate monopoly references which triggered the reports, and the fact that they are being released before the government has had the opportunity to decide what action to take.
The Department of Trade And

industry (DTI) will be issuing the reports without comment. Ministers intend to study them for some weeks before deciding whether to accept their recommendations.

Ofgas will have to decide whether to implement the rate of return recommendations, though it has ted to make a statement about the already agreed to co-ordinate any

action with the DTL This will mean further uncertainty for British Gas which has been vigorously resisting a possible break-up.

The expectation that the MMC's recommendations will be less severe on British Cas than originally expected helped drive the company's share price up 25p to 333p last week, a record high, in heavy trading.

Mr Michael Sayers, gas industry analyst at Salomon Brothers, said: "l am not expecting the MMC to recommend a full scale break up of British Cas. But I do think there will be a move towards complete accounting separation of the transport and stor-

British Gas's competitors are also hoping that the MMC will recommend lowering the threshold for entry into the tariff market. At the moment, British Gas has a monopoly of all customers who use less than 2,500 therms a year, the majority of gas consumers.

Mr Norman Ellis, the managing director of Kinetica, a leading inde-pendent gas company, said: "A mild report would be inconsistent with the government's position on competi-

Power costs likely to be reduced

BRITAIN'S largest companies shanld see reductions in record high electricity costs this autumn after a decision by the power industry to change the way prices are cal-

The changes are likely to lead to falls of at least 1.5 to 3 per cent in prices of the electricity wholesale "ponl" where power in England and Wales is traded, and could save some companies several million of pounds annually. The moves follow a 20 per

cent rise in pool prices since April. They will be welcomed by the government and Prof Stephen Littlechild, the electricity regulator, who have been under intense pressure from large companies to act nn prices or persuade electricity

to the second of

companies to do so. Mrs Margaret Thompson. pool chief executive, said the changes were the first to emerge from a long term review. But the changes are unlikely to satisfy intensiva energy users who have suffered significant price rises

since electricity privatisation. Most electricity consumers, including householders, will be affected by the pool changes only at the margins. Although their power is traded through the pool, they have heen shielded from prices changes hy "hedging" con-

Bad weather boosts overseas holiday sales Lloyd's seeks

MR RICHARD Carrick, fidence and weak Mediterramarketing director of Airtours, the package holiday group, has been delighted with the British weather this summer, writes Michael Skapinker. Wa've had 32 consecutive days of rain in Manchester. That's marvellous for bookings," he said. A combination of poor weather, rising consumer con-

from recession, according to

Mr Martin Cummings, owner

of The Inn on the Lake.

The number of lunchtima

diners in Mr Cummings' res-

taurant in Godalming, one of southern England's wealthier

towns, is now regularly in dou-

ble figures. Occupancy in the

20-room inn is up 5.2 per cent

Like their colleagues in the

manufacturing sector, managers of UK tourist establish-

ments are reporting an upturn.

Some say they would not be

surviving without US visitors;

others that the Americans do

not seem to have arrived this

The English Tourist Board

says there are contrasting sto-

ries of success and gloom from

different hotels in the same

Mr Brian Hughes, managing

director of the St Andrews Golf

Hotel in St Andrews, eastern

Scotland, says the recession in

on last summer.

albeit a patchy one.

nean currencies has produced a good high season for companies selling overseas bolidays. This week sees the start of an industry campaign to ensure next summer is as successful Ms Rosemary Astles, marketing director of Thomson, the

market from 33 per cent last period. Fierce price-cutting has summer to 37 per cent this year, aided by a weak peseta. Tomorrow Thomson launches its summer 1994 programme. The launch of the brochure bas traditionally been seen as the opening move in a price war. Thomson is conmarket leader, said Spain had increased its share of the UK fident, however, that the industry has entered a more settled

not occurred this summer. Thomas Cook, the travel agents' owned by Westdeutsche Landesbank and the German travel group LTU, said the poor UK weather has kept demand for overseas holidays high right up to the end of September and ensured compa-

nies can maintain prices. Bright spots lift gloom in tourism

London and the Home Coun-ties. But business from the US and continental Europe has

At the other end of the country, Mr Cummings has had the opposite experience. Another of his properties, the Amberley Castle country hotel, in West Sussex, has enjoyed a 37 per cent increase in occupancy over the past three months. compared with the sama time in 1992. Last week, occupancy was 95 per cent. Eighty per cent of the guests have been British. US business is slower

than in the past. Most tourism managers agree business is better this summer than last, although they have different views on

how much better. Mrs Jane Randall, tourism services officer for Stoke-on-Trent in central England, says inquiries at the local tourism information centre are running tracts between electricity cont. Southern England has led to a at 1,000 a day, compared with panies. Sharp fall in guests who live in 500 600 last summer. But Mr

Britain's tourist industry has reached a milestone in its recovery in a recession-hit sector recovery in a recession-hit sector Patrick Roper, development director of the National Maritime Museum in Greenwich. south London, says the num-

ber of visitors this summer

appears only slightly higher than last year. The different experiences of UK tourist husinesses partly reflect the uneven upturn. They also reflect the fragmented nature of the tourist industry: most companies are small and attract different types of visitors. Some operate in markets pro-

tected from the effects of recession because their clients are so well off. Mr Hughes in St Andrews says US and continental European golfers tend to be wealthier than their UK counterparts. The British golfer tends to

golf cheaply. On the continent you have to be well off because It's all private courses. in the US it also costs more to play golf than here." Overseas golfers come to

Scotland in good times and bad. Two points up or down in the exchange rates doesn't affect them."

Hotels like his also thrive by exploiting a narrow nicbe. "There is an international boom in golf, in France, Germany and the Low Countries,"

he says. "We're probably getting the same percentage of a bigger market. We're in the Italian phase now. The Italians always come to Scotland in August,

The French come in July." Mr Roper in Greenwich does not know what to make of this year's business. Visitor numbers were high around Easter, following the reopening of the restored Old Royal Observa-

lowed hy an improvement in July. There seem to be a large number of North Americans, but fewer French. Why June was bad or where the French have gone are questions Mr Roper cannot answer. He is a tourist industry veteran, he says, but cannot remember a Brothers, SC Warburg. JP Mortime when business trends were more difficult to read. gan and Goldman Sachs.

approval for

LLOYD'S OF LONDON is to

Mr David Rowland, chairman, said in a letter to Names - the individuals whose assets support the market - that Lloyd's wanted to "clear the way for new capital with cer-

Separately the Lloyd's com-cil - the market's governing body - will next month consider a rulebook, outlining the terms on which corporate capital can participate in the mar-

heen developed by UK and US banks hut cannot go ahead until rules are approved. Among the most advanced of these is Corporate Lloyd's Membership (CLM), an invest-

investor plan

By Richard Lapper

ask Names to approve plans to introduce new corporate investors to the insurance market at a an extraordinary general meeting (EGM), it announced yesterday.

The meeting, which will be

beld on 20 October, is designed to bead off possible future EGM calls by dissident lossmaking Names which could lead to delays in the entry of new "incorporated Names".

tainty before the end of October.

Lioyd's plans to attract corporate investors, announced in April, have excited considerable controversy at the market. Several investment schemes to bring corporate capital have

ment trust. Samuel Montagu (with James Capel), Salamon Britain in brief



Companies aided by low wage costs

Competitiveness of British industry will continue to improve because of the impact of bigh nnemployment on wage costs and labour flexibil-

ity, a survey says today. The snrvey shows that finance directors of the UK's higgest public companies are overwbelmingly confident that industry will continue to narrow the prodoctivity gap with the world's most efficient economies and that the benefits of last year's devaluation can be sustained.

Respondents cited bigh unemployment and wider public awareness of the need to retain competitiveness as explanations for the confidence among finance directors. More than two-thirds of the 1.000 finance directors surveyed said the competitive gains of devaluation would not be wittled away.

Pay deals still falling

There is no evidence of a hottoming out in the level of pay settlements or of a "catcb-up" in those companies which imposed pay freezes in 1991-92, according to the latest pay data from the Confederation of

British industry. The CBI says that manufacturing pay awards averaged 2.3 per cent in the second quarter of 1993 compared with 2.5 per cent in the first quarter and 4 per cent in the same quarter last year. Service company pay awards provisionally averaged 2.9 per cent in the second quar-

Manufacturers settling during the second quarter report productivity gains averaging 3.8 per cent. Although the fall in unit labour costs for the second quarter is expected to be 2.6 per cent, down from a fall of 3 per cent in the first quarter, the overall drop is better than Germany, France, Japan and the US.

Little growth in new business

The economic recovery has not yet stimulated any growth in the number of business startnps, according to National

Westminster Bank. The NatWest Quarterly Start-Up Index, published today, shows that about 90,000 companies began trading in the second quarter of 1993, compared to 95,000 in the first three months of the year and 100,000 in the second quarter of 1992. The total of 185,000 for the first six months of 1993 is the same as that for the second half of 1992.

Mrs Jane Bradford, NatWest head of small husiness services, said: "Although there are signs that recovery in the small business sector is under way, the recession has hit small firms bard and, as a result, they are still very can-tious about future prospects."

Russian trips suspended

Thomson, the UK market leader in bolidays overseas, is suspending trips to Russia because of an ontbreak of diptheria there. All the company's city-breaks to Moscow and St Petersburg are being can-celled from the start of next montb and fares are being refunded.

Passengers due to travel this month are being offered refunds. They are being told that they should be inoculated if they decide to go. The com-pany said hundreds of customers would be affected.

The Department of Health last month told travellers to Russia to ensure they were vaccinated against the disease.

Export officials to strike

Government officials at the **Export Credit Gnarantee** Department's main office in Docklands, London, will take strike action today in protest at a consultants's report recommending staff reductions.

The CPSA, which will be taking action along with NUCPS, the other main civil service union, said the government still believed there were too many support staff working at the ECGD, which provides export assistance.



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"On September 18 you can join us at the first tee."

For that's the day The London Golf Club opens. And for Joe Paulin, Robert Williams and Paul Foston it means the preparation is over as one of the world's great golf clubs opens its doors.

For Joe, the Course Manager, it means that his greens, lovingly tended, his fairways immaculately murtured (and even the rough) will play host to the founder members.

To Robert, the Club's General Manager, it means that the 36,000 square feet clubhouse will open its doors for those who seek the finest in comfort, food and facilities but crave after an informality seldom seen in so hixurious a club.

And as for Paul, the Club's pro, and one of Britain's finest teachers, September 18 means that he can start battle in earnest with the swings



of complete beginners ... as well as Ryder Cup stars. He has a 330 yard practice ground to work on with tees at both ends so that pupils can have lessons at one end while some drive from the other.

Note September 18 - the opening of one of the world's great golf clubs and the day that Ioe. Robert and Paul tee off in earnest.

Founder Memberships must close on September 17. For further information and to arrange your visit around the Club, just 'phone 0474 854466 or fax 0474 854798.

Alternatively just pop your business card in an envelope and post it to: The Membership Secretary

(FT2), The London Golf Club, South Ash Manor Estate, Stansted Lane, Ash, Nr. Sevenoaks, Kent TN15 7EN.

ECONOMICS

Indicators prompt market focus on inflation in UK and Germany

THE FLOW of UK official statistics continues this weel with the latest figures for retail sales, retail price inflation and the public sector borrowing requirement.

Economists are expecting a fall in July retail sales as a correction to the inflated June figure, which was pushed up by early summer sales.

Price discounts in the high streets were also one of the factors pushing the June inflation rate down to 1.2 per cent. City economists are forecasting that it notched back up to 1.5 per cent in July, partly as a bounce hack from June, hut also because of certain other factors such as the ending of British Telecommunications special offer on cheap rate local calls.

None the less, prices for seasonal food usually fall sharply in July and continuing summer sales will help keep prices low for clothing, footwear and household goods.

Most economists are confident that underlying inflation the RPI excluding mortgage interest payments - will remain within the government's target range of between 1 per cent and 4 per cent for the rest of this year, although they expect it to have crept upwards in July. This week also sees the

release of west Germany's July producer prices which are expected to bave stayed

RESULTS DUE

The UK's two biggest

insurance brokers, Sedgwick

and Willis Corroon are expec-

ted to post pre-tax profits

year when they report interim

Sedgwick, reporting tomor-

row is expected to register pre-

tax profits of between £48m to

258m (compared with £51.7m

last year), while Willis, which

reports on Thursday, is expec-

ted to make between £58m and

Both brokers are universally

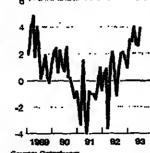
expected to maintain dividend

rates, 3p for Sedgwick and a

£63m (£56.7m).

roughly the same level as last

UK retail sales



broadly flat, with inflationary pressures at the producer level very weak. However, M3 - also due this week - will show that the story at a consumer level is quite the opposite with prices still stuhbornly high. June's annualised growth was 7 per cent' It is expected to have risen to 8 per cent in July.

Today: French and Belgian markets closed for holiday. Finland, July CPI (up 2.2 per cent on year). US, July industrial production (up 0.4 per cent), capacity utilisation (81.4 per cent). Japan, June industrial production, shipments.

Tomorrow: UK, July PSBR (£1.9hn), Sweden, July CPI (down 0.2 per cent on month, up 4.6 per cent on year). US. July housing starts (1.25m), building permits; Johnson Redbook week ended August 14;

second quarterly dividend of

1.65p for Willis. Difficulties in

the US market, which remains

competitive, are one of the

main factors holding back fur-

Meanwhile Argos, the cata-

logue retailer, is expected to

henefit from the elimination of

losses from the ill-fated Ches-

terman furniture husiness

Pre-tax profits of between

£12m and £14m are expected

against £9.5m last time. How-

ever the main focus of atten-

tion will be on current trading

when it reports its interim

ther improvement.

results today.

FOMC meeting in Washington. Canada, June building permits jup 2.8 per cent on month): July advance store sales (down 1.3 per cent on year). Japan, July money supply, broad liquidity. Australia, govern-ment budget handed down. Wednesday: UK, July retail

prices index (down 0.1 per cent on month, up 1.5 per cent on year), excluding mortgage interest payments (up 3 per cent on year); July retail sales (down 0.3 per cent on month, up 4.6 per cent on year). Sweden, July trade balance ISKr5.6bn). Canada, June manufacturing new orders (up 0.8 per cent on month), manufac-turing shipments (up 0.4 per cent on month). Japan, June workers' PCE and workers'

Thursday: UK, July M4 (up 0.5 per cent on month, up 3.25 per cent on year), M4 lending (up £2.2bn); July building society net new commitments lup £3.2hn); revised Q2 GDP figures Jup 0.5 per cent on quarter, up 1.5 per cent on year); National institute publishes quarterly economic review. France, June industrial production (down 0.1 per cent). Sweden, July unemployment rate (9.5 per cent). US, June merchandise trade (\$8.8bn deficit), exports (\$39hn), imports (47.6hn); initial claims week ended August 14 (335,000); state benefits week ended August 7; August Philadelphia Fed Index; money sup-

to see whether the post-Christ-

Hanson, the Anglo-US con-

glomerate, is tomorrow expec-

ted to announce pre-tax profits

of between £240m to £280m for

the third quarter. This com-

pares with £274m in the com-

The group has been adversely affected by the strike

at Peabody Coal in the US,

which has cost it around £30m.

However, the stronger dollar is

expected to benefit it by a simi-

lar amount since more than

half its profits are generated in

North America.

parative year-ago period,

mas pick-up is continuing.

August 9; annual Kentucky Fed conference - Greenspan and Tietmeyer scheduled to speak. Canada, June merchandise exports (up 1.5 per cent on month), merchandise imports (down 0.4 per cent on month), merchandise trade surplus (\$1hn). Australia, Reserve Bank of Australia releases 1992-93 annual report.

Friday: UK, July non-EC trade (£700m deficit). US, FOMC minutes from meeting on 6/7 July released; July Treasury budget (\$40bn). Canada, July CPI (up 0.2 per cent on month, up 1.6 per cent on year), excluding food and energy (up 1.6 per cent on During the week: Germany,

July PPI (up 0.1 per cent on month, down 0.3 per cent on year); July M3 from Q4 base (up 8 per cent). Netherlands, July unemployment rate (5.2 per cent). Italy, June WPI (up 5.1 per cent on year); June PP (up 4 per cent on year); July M2 (up 5.6 per cent on year), July bank lending (up 4 per cent); August CPI (up 4.6 per cent on year). Denmark, July CPI (down 0.2 per cent on month. up 1.2 per cent on year). Switzerland, July trade halance (SFr400m surplus). Australia, Reserve Bank of Australia August bulletin

Emma Tucker

BICC, the cables and con-

struction group, is expected to

report a fall in half year prof-

its, from £58m to around £53m.

on Wednesday. The company

has suffered from the longevity

of the UK recession, which has

On Thursday Wickes, the

affected most of its markets.

do-it-vourself group, is expec-

ted to show a 35 per cent

improvement to about £3.5m

when it reports interim results.

The growth is likely to be the

result of lower losses in its

Hunter timber business, and

some advance in the UK DIY

UK COMPANIES

TODAY COMPANY MEETINGS: Tams (John), North Stafford Hotel, Stoke-on-Trent, 12.00 BOARD MEETINGS: Benson Group Heath (Samuel) Hoskins Brewer interims:

GT Chile Growth Fd. **LGM** Seecon Takare US Smaller Co's Inv. Tst.

TOMORROW COMPANY MEETINGS: Walker & Staff Hidgs., Walke House, Boundary Street, E.C., 3.00 BOARD MEETINGS: Finals: Bucknall Epwin Evans Haishaw

Inpala Platinum Stonehili Interims:

BICC De Beers Cons. Mines De Beers Centenary Fife Indmar Fleming Mercantile Inv. Tst. Sedgwick Sherwood Computer

WEDNESDAY. COMPANY MEETINGS: Banner Homes, The Chequer inn, Kilin Lane, Woobum Green, Bucks., 10.30 Bristol Scotts, 79 New Cavendish Street, W., 10.30 Scantronic Hldgs., The

Farmers & Fletchers Hall, 3 Cloth Street, E.C., 12.00 Wilshaw, The Tower Thistle Hotel, St. Katherine's Way, E. 11.30 BOARD MEETINGS: Interims:

City Centre Restaurants Dunadin Inc. Growth Inv. Tst. Bristol Channel Ship M & G Income Inv. Tst.

M & G Recovery Tst. North Midland Constn. Richardsons Westgarth Rosebys Trade indemnits

THURSDAY AUGUST 19 COMPANY MEETINGS: Avesco, Venture House, Davis Road, Chessington, Surrey, 11.00

Bromsgrove Inda., Nati. Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands, 12.00 Burtonwood Brewery, Rake Hall Hotel, Rake Lane, Little Stanney, Chester, 12.00 Cook (Wm.), Parkway Avenue Sheffield, 12.00 Kembrey, Crowne House, 56-58 Southwark Street, S.E., 12.15 Southern Water, Dome

Theatre, Church Street, Brighton, East Sussex, 11.00 Vistec, The Midland Hotel, Derby, 1.00 BOARD MEETINGS:

Interims: ASEA Ericsson (L. M.) Wickes Willis Corroon

County Smaller Co's law. Tst

FRIDAY AUGUST 20 COMPANY MEETINGS: Fuller, Smith & Turner, Griffin Brewery, Chiswick, 11.00 Hartstone, Hartwell House,

Oxford Road, Bucks., BOARD MEETINGS: Finals: Ragian Property Tst. Interims:

Jourdan (Thomas Company meetings are annua general meetings unless

otherwise stated. Please note: Reports and accounts are not normally

six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

TODAY Aliled-Lyons \$0.27 Anglo American Inv. Tst. 6% R0.6 Aon Coron, \$0.36 API Group 3.85% Cm. Pf.

British Steel 1p Danka Business Systems 3p Eurofima 61/2% Nts. 1995 C\$325

Feedback 1.5p Marks & Spencer \$0.6858 Marsh & Mclennan Inc. \$0.675 M & G Dual Tst 30.55p Mountview Estates 120 National Westminster Bk. Prim. Cap. Fitg. Rate \$182,26 Queensland Treasury 101/4% Gtd. Bds. '95 \$512.5 Sainsbury (J.) \$0,138

Sanyo Electric Fitg. Rate '97 Y230.866 Scottish Metro, Prop. 0.4p Sharp Intt. Finance Gtd Step '94 Y520,000

Do. 75/8% Gtd Nts 1994 Y762,500 Shelton (Martin) 1.5p State Bk. Of New Sth. Wales Extenible Fitg. Rate '98 \$180.69 Uberior Inv. 14%% Sub. Gtd.

2000 A\$371,875 Unigate \$0.197 United Kingdom 21/2% Index-Linked Treasury '13 21.9506 Whitbread \$1,255

TOMORROW Courtaulds \$0.196 Cropper (James) 2.125p 2003 \$25.14 National & Provincial Bldg. Soc. Fltg Rate '99 £157.80 Vosper Thomycroft 11.1p

■ WEDNESDAY AUGUST 18 Bradford & Bingley Bldg. Soc. Collard Fitg. Rate '03 £35.02 Britannia Bldg. Soc. Fitg. Rate 2156.90 Chase Manhatten Fitg Rate Sub . 2000 \$127.78 Cigna Overseas Finance 12%% '93 £123.75 Credit Foncier de France 10%% Gtd. 11/14 £512,50 ERF Hidgs. 2p First Chicago Fitg. Rate Sub. Cap. '97 \$134.17 Forte 10% Mort. Deb. '18 25 General Motors Acceptance (Canada) 8%% '94 ECU87.5

Investment Company 1p

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'98 £170.14

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annual series, is to provide a high-level forum to discuss issues of contern to electricity arillities, and review

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lan Gibson, Bill Jurdan, Sir Alistair

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Lloyds Bank Var. Rate, Sub.

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an nuderstanding of all aspects of the operations of the City and the factors that

make it a pre-eminent financial and

The aim of the meeting is to provide a high-level forum to review the opportunities and challenges facing the

ladustry, consider partnerships and

eccia as well as perior

National Westminster Bk. Var. Rate £171.71 Vodafone Group 3.53p Wells Fargo Fitg. Rate Sub. ... Cap. '98 \$86.25 Woolwich Bldg. Soc. Fitg. Rate 94 £157.53

AUGUST 19 Archer (A. J.) 0.5p Daido Steel 4.8% 1997 Y128,000 Norsk Hydro AS 8% 1993 FFr800

II THURSDAY

FRIDAY **AUGUST 20** Anglovaal R0.65 Bankamerica \$0.35 BTP 6.05p Burtonwood Brewery 3,98p Caterpillar Inc \$0.15 Fuller Smith & Turner

Malaysia Mining M\$0.03 Melville Street Inv. 2.5p M & W 1.1p Pilkington 1.07p Rottmans Intl. 7.50 Tams (John) 2.410 Toyobo Co. Y92,638.89 Wellmair 0.6p Wells Fargo & Co. \$0.50 Zandpan Gold Mining R0.105 E SATURDAY AUGUST 21 United Kingdom 101/2% Exchequer Stk. '97 £5,25

SUNDAY

AUGUST 22

NFC 74% Conv. Bds. 2007 238.75 TSB Offshore Inv. Fund Gill & Fored Int. 2.915p Do. Sterling deposit 1.312p United Kingdom 12%% Exchequer Stk. 1994 £6.25

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INVITATION FOR PREOUALIFICATION OF APPLICANTS FOR LOT 1 MAIN CIVIL WORKS GODAR-E-LANDAR HYDROELECTRIC POWER PROJECT

Iran Water & Power Resources Development Company (IWPC) requires applicants supply information for prequalification of Lot I Maio Civil Works of the 4 x 250 MW Godar-e-Landar Hydroelectric Power Project in the Khuzestan Province of the Islamic Republic of Iran.

The Project Site is located at about 160 km distance from Ahwaz, the centre of the province.

The principal works for the Lot 1 Maio Civil Works are as

- 164m high rockfill dam with 480m crest length
- Spillway, 72.5m chute width and 390m chute length
- Two power intakes
- Two pressure shafts, 8.5m/7.5m inside diameter. 230m (left) and 275m (right) length
- Underground powerhouse cavern, 151m length, 30m width and 47,5m height
- Underground transformer cavern, 115m length, 15m width and 23.5m height
- Two tailrace tuonel, 10m inside diameter, 235m (left) and 300m [right) length
- Two downstream surge chamber, 22.5m diameter.

Prequalification Documents can be obtained upon cash payment of a non refundable amount of 200,000 RIs.

The foreign currency element of the Lot 1 Main Civil Works is financed by The Overseas Economic Cooperation Fund of Japan (OECF). Since August 16, 1993, Prequalification Document may be obtained personally by applicants or their authorized representatives at the following address, and complete prequalification application should be submitted before 12:00 hours noon oo Wednesday, September 15, 1993 at the following

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hen Donna Cunningham, media relations manager for Bell Labs. morning, she simply walks from the kitchen of her house, deep in the woods of Vermont, to a small room she uses as her office.

Headquarters is a six-hour drive away in New Jersey, but Cunningham says she keeps in touch easily through a host of technologies from electronic mail to video conferen-

cing.
"I get a tremendous amount of work done," says Cunningham.
"The biggest distraction I might have here is if a deer happens to pass by my window." Cunningham is part of a growing trend in the US which is not only allowing, hut actively encouraging, employees to work outside the office. A distance of six hours is still more than most employers are willing to put up with, but the traditional notion of an office as a place workers must report to every day is giving way to a far more flexible approach

Home offices are just part of the new trend. Companies are making heavy use of telecommuting, a policy which allows employees to go to the office one or two days a week and spend the rest of the time with clients or working at home. Several groups have also pioneered the concept of "hoteling", a systemised policy of office-sharing for workers who spend a small portion of their time at the office.

Companies have been experimenting with the concept of working from home and telecommuting for more than a decade, However, over the past few years several groups have formalised the approach, incorporating large numbers of employees into the plan.

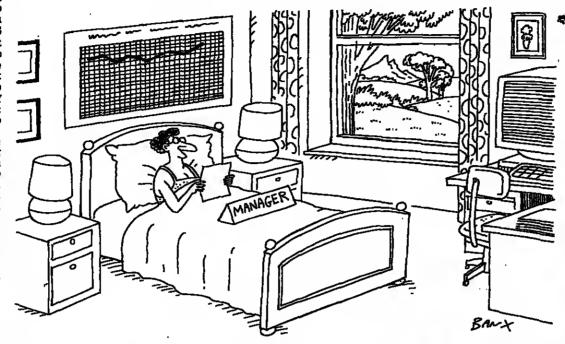
"We've heen practising telecommuting informally for years, but now, we've adopted it as a formal policy," says Susan Se district manager of AT&T in Phoenix, Arizona.

One management consultant firm, Buck Consultants, estimates that between 10 and 20 per cent of the US workforce will spend a significant amount of time working at home by the end of the century.

The concept, companies say, is working well. According to an AT&T survey, 83 per cent of the 45 employees involved in a pilot telecommuting programme in Phoenix for the past few years said they had increased their productivity, and 80 per cent of their supervisors agreed. International Business Machines also noted an increase in productivity following the implementation of telecommuting programmes a few years ago. Today, more than one third of the IBM workforce does some portion of their work at home.

Employers are adopting a far more flexible approach to traditional working practices, writes Victoria Griffith

Home is where the office is



A number of large US firms, including IBM, AT&T, Ernst & Young, Arthur Andersen and Dun & Bradstreet, say they are adopting the telecommuting concept as a key management strategy.

We certainly plan to expand the programme," says Michael Bell, director of corporate real estate at Dun & Bradstreet. "It's been a tremendous success.

Employers say workers under telecommuting and work-at-home programmes are more efficient because they bave fewer distractions and waste far less time commuting.
Russell Thomas, a specialist on

telecommuting with AT&T says: "Before we adopted telecommuting we had situations that people would drive one and a half hours to the office, stay for a few hours, drive an hour to visit a client, come back to the office, then leave for the day. Obviously, there was a big loss in productivity going on." In response, AT&T launched the concept of the "virtual office", a mobile office, complete with laptop computer and

fax, which the employee could use in a hotel, hranch office, or at home. A number of factors are adding to the telecommuting impetus. One of the most important is the Clean Air Act, which by 1996 will force many companies in the US to cut the number of miles driven by single-car commuters hy 25 per cent. The aim of the new law is to reduce vehicle pollution in the smog-ridden metropolitan areas.

Kenneth Maikiewicz, transportation consultant with Raymond Keyes Consultants, says: "Companies will use telecommuting as one important way of redocing

vehicle trips,"
Improvements in technology are also fuelling the trend. "Technology is the key to making all this work, says Michael Thompson, operations and facilities director at Ernst & Young. "We give people faxes, notebook computers, everything they need to work outside the

office With technologies such as cellular telephones and electronic mail moving into widespread use. companies predict telecommuting will become easier. Improved computer data access will also play an important role. "We are giving employees the capability of accessing all company files from a home computer," says Thompson. "It will make telecommuting even more efficient."

Increasing cost-consciousness has also encouraged companies to consider telecommuting as a formal strategy. "When the economy was hooming," says Thompson, "companies didn't care as much about real estate costs. But that's become a real issue now."

un & Bradstreet Software cut real estate expenses by 30 per cent through the use of telecommuting, even after huying high-technology home equipment for workers, according to Jennifer Oden, director of real estate and services at the group

Ernst & Young, in its Chicago office, has adopted a strategy of employee expansion with no added space. A year ago, the firm pioneered the concept of "hoteling", a sophisticated office-sharing plan, to help it meet its cost-cutting goals. Under "hoteling", employees who spend a lot of time with clients including auditors and management consultants - are not

assigned a permanent desk. They are expected to spend most of their time outside the office, and when they plan a visit, they must call to reserve a place. On the day an employee is expected in the office all calls are

automatically forwarded to that extension, and the information appears on a computerised "staff ocator system" to help colleague find co-workers. A small staff of "hoteling managers" makes sure the employee's nameplate is placed on the door and will even put family photos on the desk to make the employee feel at home. Of course, telecommuting does

pose some disadvantages to hoth worker and supervisors. Ernst & Young complains of workers with a strong territorial instinct, who try to take exclusive hold of a temporary office.

Employees sometimes worry about their chances of promotion if they are out of the office for long periods of time. "It would be extremely difficult for me to move up in the company," saya Cunningham of Bell Labs. "But I accepted that when I agreed to work at home.

Other workers may have unrealistic ideas about the benefits of telecommuting. "You have to screen workers carefully before you put them into a programme like this," says Charles Rodgers, president of Rodgers & Associates, a management consultancy specialising in telecommuting issue

"Some mistakenly believe that this will be a solution to their child-care problems. Others might miss the stimulation of conversing with co-workers and still others may not have the self-motivation to make this work.'

The biggest obstacle to a telecommuting succeasful programme, though, may be the resistance of management. "A lot of supervisors are uncomfortable with this arrangement," says Rodgers. "Many mangers have the idea that visibility equals productivity. They feel if they can't see the work being done, it isn't getting done."

Despite some resistance on the part of employees and supervisors, companies say the concept works well. "It improves productivity, helps us address environmental issues and cuts down on real estate costs," says Ann Riley, project leader for work life programmes at

"It is an extremely successful programme which we will certainly take as far as we can."

Taking stock of windfalls

Executive share options face closer scrutiny, says Lucy Kellaway

he days when directors of hadly performing companies could enjoy windfall gains from exercis their executive share options are over. Last month's joint announcement from Britain's largest investor bodies has put a stop to that: from now on any scheme that does not relate the exercise of share options to the company's performance may find itself along out by shareholders. The long-awaited

recommendation from the Association of British Insurers and the National Association of Pension Funds has left commanie alternately grashing their teeth and scratching their heads. Most objected vigorously to any idea that their schemes should be tied to performance and many wrote to the NAPF last year to complain when it asked them for their opinions. They must now accept. hat their battle is lost.

At the same time as protesting against any performance link, companies pleaded for flexibility. In this their pleas have been answered. The guidelines do not refer to any particular measure of performance, but simply state there should be "significant and sustained improvement in underlying financial performance". However the

vagueness of this recommendation has left them in the dark. What sort of performance link will be acceptable?

The question is of pressing interest to companies as most of their 10-year schemes come up for renewal next year. For the new schemes to win shareholders approval, they must not only be linked to performance, but must have been drawn up by the company's independent remuneration committee and the guidelines must be published in . the annual report, According to Mark Anderson

of New Bridge Street Consultants executive pay experts, companies are feeling in need of guidance on how stringent the performance targets should be. But the investor bodies - which have taken almos a year to agree on the recommendation - seem in no mood to lay down more precise

"Our message is that whatever your remuneration committee recommends is the most appropriate measure. If the committee can't come up with a reasonable measure there are 101 consultants out there who would be only too happy to find them one," says John Rogers from the NAPF.

So which measures will companies choose? Perhaps the simplest is that initially proposed by the NAPF: relative share price performance. It suggested that directors should be allowed to exercise share options only if their shares out-performed the market index, or a sub-index over a given period.

The main alternative is to use preferred by the ABL Both yardsticks have weakness prices can be inflated by bid pressure and reflect future as well as past performance. Profit measures on the other hand have been complicated by new accounting rules which make

earnings more volatile. Once the measure has been selected how stringent should the target be? is any out-performance of the share price enough? Should earnings be in the top quartile of the industry group, or is it amough merely for them to rise faster than inflation.

These are issues that each remuneration committee will have to decide and it will be a delicate belancing act. "You don't want something so difficult that the options will never kick in, but you don't want something so easy that it is a joke, says Hugh Jones from the Prodential. He argues that to strike the balance should not be too difficult: after all there is an element of judgment in all business decisions and this one

of having to disclose the basis for the schemes will concentrate the minds of companies. Moreover, the non-executive directors who sit on remuneration committees will have the sobering thought that if they nod through schemes that are too generous, . they might find themselves out of a job when reselection time omes round again.

CONSTRUCTION CONTRACTS

£50m work for Tilbury **Douglas**

TILBURY DOUGLAS CONST RUCTION has been awarded a series of orders together worth \$50m. The largest is a contract awarded by John Lewis to build a chilled distribution depot for Waitrose at Bracknell. The contract is being carried out by the south east regional office based in Chiswick. Work on a £6m wholesale warehouse in Essex is also under way.

In the Midlands Tilhury Douglas has won contracts in the public sector to refurbish a wing at Winson Creen Prison, to huild a care centre in Quinton for South Birmingham Health Authority, to extend the social studies facility at the University of Warwick, and to re-roof buildings at Donning-ton for the MoD.

The north east regional office won six orders in July with a value of over £8m. They include a new headquarters for the Darlington Building Soci-ety in Darlington; two factory units for English Estates at Goldthorpe, Barnsley and Sea-ham Crange; and the refurbishment of the students union building for the University of Newcastle upon Tyne.

Energy saving

Anglia Polytechnic University is to receive funding from the European Community under the THERMIE project, a fiveyear European Community programme to promote the design and use of new energy saving technology.

The successful bid is in respect of innovatory energy efficient elements incorporated into the design of Anglia's Learning Resource Centre, the first phase of the new university campus in Chelmsford. The £4.9m centre, which is to be huilt by WIMPEY CON-STRUCTION, is due for completion in summer 1994.

The building will incorporate design concepts to reduce energy costs by up to 50 per cent and will obviate the need for an air conditioning system by use of stack ventilation towers to improve through ventila-

Good daylighting is another key element and will he enhanced hy windows with light shelves to reflect light deeper into the building

International concert hall



LAINC NORTH WEST has been appointed to build Manchester'a international concert hall, the new home for the Hallé. Work is due to start on site today with completion scheduled for February 1996. The total cost of the project will be around £42m. The company's bid for the main huild-ing contract was accepted by the partners in the ventura, Manchester City Council and

Central Manchester Develop-

ment Corporation, who are jointly funding the project with the aid of a 40 per cent grant from the European Regional Devalopment Fund. Laing North West won the

contract in competition with four other large construction companies, shortlisted from 30 leading companies who expressed an interest in the project.

Preparation work has been completed by P Casey (Civil

Engineering), which has removed 26,000 tonnes of soil to make way for the concert hall. It has also put in the foundations for the building, including more than 150 reinforced concrete columns.

One of Laing's first jobs on site will be to install vibration isolation bearings on to the columns - literally creating a foundation of springs - to iso-late the hall from passing traf-

Medical centre in New York

AMEC group companies have won overseas work in the last two weeks worth more than

In the US AMEC'S American project management company, Morse Diesel International (MDI), in which the group has a 50 per cent stake, has just won a \$160m (£106m) contract for the construction of a 735,000 sq ft, 18-storey, mulliuse medical centre at Mt Sinai in New York.

MDI will undertake preconstruction and construction management on the project which will be finished in September 1995, and will house a multitude of research, psychiatric and office facilities with a multi-storey parking garage on In Hong Kong, AMEC Elec-

trical and Mechanical Engi-

neers has won three contracts worth nearly £30m on Hong Kong government projects. The largest, at £18.5m, is for the supply and installation of building services, including steam and fire detection systems, on the new Alice Ho

Miu Lmg Nethersole Hospital in Tai Po, Hong Kong. The 642bed hospital project consists of UK.

four linked buildings and asso-ciated facilities. AMECa subcontract, to main contractor Aoki, is due for completion in February 1996.

AMEC has also won a £7.2m contract to supply and install air conditioning and ventilation systems for the new Hong Kong police headquarters com-plex, which is a 33-storey building with a floor area of 47,000 sq metres. Included in the contract is the provision of 31 specialised computer room air cooditioners, manufactured by AMEC sister company, Denco

Upgrading RAF garrison in Yorkshire

CONSTRUCTION MANAGE. MENT has secured two new project management contracts worth £11m.

The largest is a £8.7m project to oversee the redevelopment

HOUSE of the RAF's Catterick Garriarmy regiments currently ANAGE son in North Yorkshire as part based in Germany. of the Ministry of Defence's Options For Change programme. When the two-year contract is completed the hase will provide a home for two

The second contract is for a £2.2m cookery school at HMS Raleigh, the new entry training establishment for the Royal Navy at Torpoint, Cornwall

China's grain

The World Bank has appointed LG MOUCHEL & PARTNERS as chief adviser to the Chinese Ministry of Domestic Trade in a large investment programme to improve the efficiency of China's domestic and international grain management.

A network of modern storage installations will he constructed including local primary depots servicing a num-her of farms, intermediate depots at strategic railheads and installations of up to 300,000 tonnes capacity at a number of deepwater ports.

The storage installations will be equipped with appropriate aeration and drying facilities to conserve the grain and bulk handling methods for grain will be introduced to replace the traditional bagged handling methods.

At the port locations, modern high capacity bulk ahip loading and unloading equipment and deepwater berths will allow the transport of grain by large bulk grain carri-ers which can transport their cargo to large population centres in China or to overseas markets.

Transit system ACER MUHENDISLIK MUSA-

VIRLIK has been appointed to carry out project supervision and consulting services for Phase 1 of the Ankara Mass Transit System.

Acting as sub-consultants to the principal consultant TEMAT, Acer will carry out project supervision and consulting services during construction, commissioning and trial operation periods. Acer will also conduct an intensive review of the design and advise on any problem areas.

PEOPLE

Handling NatWest Markets combines its IT

ularly targeted for systems

development are equities, capi-tal markets and freasury.

Harbich of Polish extraction but reared in Scotland, has

tor of information technology.

There were also three sepa-rate technology heads - vari-ously looking after the front

in Britain Campaign and a founder member of the Women's Farming Union, has been appointed chairman of

managing underwriter, The Brockbank Group, Lloyds, and Stephen Redmond, group marine underwriter, Ragie Star

FOR THE STUDY OF

Known locally as ANKA RAY, the Ankara Mass Transit System began in August 1992 when Phase I was commis-

A consortium made up of Siemens (Germany), AEG Westinghouse (Germany), BREDA (Italy), Bayindir-Yuksel JV (Turkey) and SILO (Turkey) was awarded the commission hy the Municipality of Greater Ankara, under a con-Alexander, previously internatract consisting of design, construction and trial operation.

latter refers to as "that fateful selection process", had

and management science He has spent the past 16 years at Bankers Trust, partly

NatWest Markets has brought office, back office, and data degrees in operational research and telecommunications. Now and management science managing director for global those three heads report to trading technology at Bankers Herbich, whose task it is to years at Bankers Trust, partly co-ordinate and develop the group's IT capabilities with in Trust, into a new role as direc-London and abroad.
"I was very agreeably sur-Tha corporate and investprised as to liow much impor-tance NatWest's senior managemant attachea to technology, says Earbich, who adds that the areas partic-

ment hanking arm of National Westminster Bank has been formed out of many constitu-ent parts, including County NatWest and NatWest's treasury department, hence also throwing together many differ-

ent types of system.

Bodies politic ■ Margaret Charrington acting director of the invest

the HORTICULTURAL DEVELOPMENT COUNCIL.

Robin Plumbridge, chairman and ceo of Gold Fields of South Africa, has heen elected chairman of the WORLD GOLD COUNCIL. Mark Brockbank, group

Insurance, have been elected . chairman and deputy chairman, respectively, of the JOINT HULL COMMITTEE. ■ Ian Cunningham, formerly chief executive of Roffey Park. Management Institute, has been appointed chairman of the newly-formed CENTRE

CHANGE. Peter Mouris, special projects director for Bovis, has been appointed chairman of The ASSOCIATION OF PROJECT MANAGERS.

Nicholas Hutton, chairman and mid of Greenup & Thompson, has been invested as president of the BRITISH PRINTING INDUSTRIES

FEDERATION. Tim Noble, formerly md of Costain's process contracting division, has been appointed director of engineering at BRITISH WAPERWAYS.

Pamela Edwards, a director
of Bast Michands Electricity (Generation), has been elected vice-president of The INSTITUTION OF

MECHANICAL ENGINEERS I Jeffrey Greenwood, senior partner of Nabarro Nathanson has been appointed to chair the CENTRAL COUNCIL POR **EDUCATION AND TRAINING** IN SOCIAL WORK; he replaces Berrick Saul.

ters since 1991, but wanted to return to the UK, since he was regularly commuting across the Atlantic to see his wife who had stayed in London.

in London, partly in New York. Bankers Trust's front office

trading system REMOS, which

has been sold on to a number

of other banks, was Herbich's

brainchild, first developed for

Ha had been at the US investment bank's headquar-

foreign exchange in 1983.

Mill quits NCR

NCR, one of the top five US computer giants, has lost its UK chairman, Patrick Mill, after "personal disagreements" between him and the group's European head Joe Stephan. The new UK chairman is Philip Mantle, 43, who has spent the past 25 years work-ing for NCR across the world. He is currently managing director of the company's business in Turkey, having previously beld posts in Latin America, the Middle East and Africa.

NCR's parent, the US tele coms giant AT&T, is currently battling for a licence to operate in the UK. If it succeeds, NCR's UK sales and marketing team of 1,900 could come in useful. NCR also has two manufac-turing plants in the UK, employing 2,300 between them. But both are managed directly from the US and will not be part of Mantle's remit.

Change of direction at EIU

Nico Colchester, deputy editor of The Economist who failed to secure the top job earlier in the year, is moving to the Economist Intelligence Unit at the end of this month as editorial At the same time, Helen

tional circulation director of the Economist, becomes managing director of the EIU "I had long thought that it was rather an attractive inb --not that I didn't already have a pretty attractive job," says Colchester. Ironically, Bill Emmott, who best Colchester to the editor's seat in what the



recently been on secondment for six months at EIU doing that very job. When it became clear he was

not to become the next editor of the newspaper, 46-year-old Colchester, who was foreign colonester, who was roreign editor of the Financial Times before moving to The Econo-mist in 1986, says he looked around at other options, but admits that now is not "a frightfully good time in the

economic cycle". He also put his name forward for the EIU. Now he is pleased to be running his own show - one with a turnover of \$29m, compared with £87m at The Economist. He also thinks that "there is a lot of scope for enhancing the public image of the EIU. It has rather hidden its light under a bushel, not having had much

of a front man." Alexander, who is understood to have turned down a highly lucrative outside offer to accept the EIU position, joined The Economist in 1985. She has recently been responsible for marketing and circulation in all regions outside North America.

Tales of two cities

which it does in England this August, there are only two things to do. One is to escape to the sun, the other is to curl up with a good book. I suppose you could combine the two ectivities, but I have never found it easy to read on a beach or to do anything very much at all in the hot sun.

Two good new books this summer may give readers the opportunity to mug up a bit on soma appropriate regional architectural history before they travel or even to get on with some continuing education of a fairly serious kind.

As far as I know, there is not yet a bluffers' guide to Tuscan towns or a simple introduction to the Baroque of the Balearics. But there are other ways of immersing the mind in architecture and often the less obvious books are the best.

Visitore to the Edinburgh festival can this year enjoy the architecture of the city with a new edition of Charles
McKean's guide book. Edinburgh: An Illustrated Architectural Guide (published by the
Royal Incorporation of Architects of Scotland, £9.95, 236 pages). This new edition of the guide was sponsored by The City of Edinburgh District Council and Edinburgh Enterprise Limited for the European Summit last December, but it is e timeless guide that should be in the hands of every visitor to the Edinburgh festival

It is an advantage to have a pocket-size guidebook, but I wish for more from Mr McKean particularly because his picture research is so good. The are wonderful visions that were never built, like Robert Adam's 1791 proposal for a new bridge to link Calton Hill to Prince's Street, and J. Dick Peddie's view of a completed

Parthenon high above the city. The author is also good at making the visitor look about him and think of the future of the city as well as what is before him. As McKean says,

hen the summer new Opera House, e conference centre, a new headquarters for Scottish administration and the sizeable Maybury business

Does the city have a policy for the residential rejuvenation of the Old Town or for phoenix-like transformations to follow on that of Lelth? What about the future of the Trinity area, which McKean memorably describes as a home for the "unbrittoned mercantile princes of Leith and artists,

maiden ladies and mistresses?"
Edinburgh is much enlivened by this book, with its clear explanations of the differences between the old and the new towns of Edinburgh and its simple exposure of the incredible architectural wealth of a city that still keeps many of its glories, both classical and gothic well hidden from its native residents as well as fes-tival guests. Mr McKean opens Edinhurgh's architecturel

From the Athens of the North to Rome. I was fascinated by a book about that intriguing Roman building the Villa Madama which, although unfinished, remains e key point of reference in Italian Renaissance architecture. Villa Madama: a memoir relating to Raphael's project by Guy Dewez (Lund Humphries £35, 184 pages) is an unusual kind of architectural history.

The anthor uncovers the plans and proposals of Raphael for his patron, Cardinal Giulio de Medici, who was the first cousin of and Secretary of

State to Pope Leo X.

Construction began on the villa in 1518, but Raphael died in 1520 and, although work continued under the direction of Giulio Romano, it was never completed. It was a project of great importance in the early Cinquecento, ranking with the Michaelangelo commissions in Florence and marking the importance of the Medici presence at the gates of papal

Today the villa is hard to see, as it is in the custody of

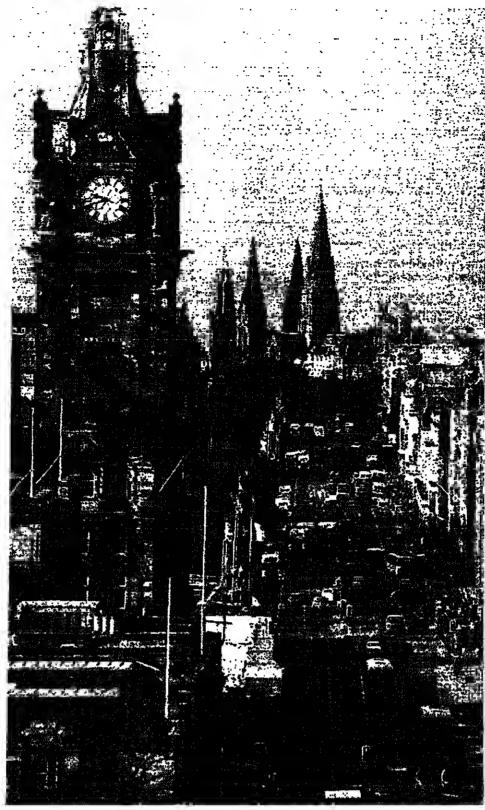
the Italian Ministry of Foreign Affairs. It lies to the north-east of Rome, high on its hillside among woods and gardens. It is used in much the same way as the Medici planned - a place for high-level foreign ministry meetings and state receptions. Guy Dewez has clearly been obsessed, in the best sense, by this incomplete masterpiece and his researches are eccessibly prolished here in a way that convincingly shows how the villa would have looked if it had been finished by Rapb-

It was a perfect example of the Renaissance wish to idealise the antique Roman villa - e place where the pleasures of civilisation could be enjoyed and demonstrated in e rural setting. The discovery and publication in this book of a letter from Raphael to his patron pro-vides us with a first hand account of the artist's inten-

Raphael writes of the siting of the villa to "face the most salutary winds". Part of the villa is to be e circular structure, "lit through a ring of glass windows, each of which is successively visited hy the sun from the time it rises to the time it sets - a delightful place in which to hold polite conversation."

Bething was clearly an important part of villa life and Raphael thought it important to be able to bathe in the sunlight: "in front of the window a place where one may lie in the water and be washed by one's servant without coming under his shade ..."

This delightful letter is sup-ported in the book by many romantic 19th century photo-graphs that show the incomplete villa in an agreeable state of arcadian decay. The author's own immaculete measured drawings provide a lucid vision of how the villa might have looked if completed. This kind of informed speculation about such an important place makes for the best kind of architectural history because it stimulates the historical imagina-



A view west along Princes Street, Edinburgh: Charles McKean's architectural guide enlivens the city

Rossini Opera Festival at Pesaro

Armida and Maometto II

for example), can be counted on to provide welcome variety, usually with an element of surprise. The two operas featured in this year's fes Rena Pleming is an attractive and tival - which opened this past week and continues until August 22 - represent a relative rarity, Armida, followed by the revival of a successful Pesaro production of some eight years ago, Maometto II, designed and staged by Pier Luigi Pizzi.

These productions are complemented by other events: concerts, recitals, lectures, exhibitions, and a two-week course for young artists, sponsored by the Peter Moores Foun-

But, inevitably, attention focuses on the two operas; and this year Armida was ewaited with special anticipation. Long neglected, the work was revived in Florence in 1952 for Maria Callas, at the height of her powers, and those unforgotten performances, in the opinion of many music historians, mark the true beginning of the Rossini renaissance, which Pesaro has so intelligently and successfully institu-

Armida is one of Rossini's Naples

he programmes of the Ros-sini Opera Festival, though soprano (his future wife) Isabella Col-never crammed (like Spoleto, bran; and while not merely a star-whether either of those firm-minded vehicle, the work certainly requires the presence of a supreme interpreter in the title role. The American singer gifted artist, but she does not possess star dimensions. In other contexts her lack of vocal sensuality can even be e merit; but in Armida she remained always this side of e full embodiment of the towering part, the only female

character. She was more than adequately supported, though her Rinaldo, the tenor Gregory Kunde, was more bouncy than heroic, and his occasional high notes blasted forth, true but unappealing. Of the six tenors in the cast, the most enjoyable were perhaps Jorio Zennaro and Bruce Fowler, whose charming duet opens the last act.

The orchestra and chorus from the Teatro Comunale, Bologna, were not in their best form. The winds were especially eberrant; the chorus lacked impact. Daniele Gatti conducted accurately and soberly, though without bite, occasionally indulging the singers more than advisable.

But even Callas, even Colbran would heve had e hard time overcomwomen would have tolerated it).

Ronconi evidently decided that, despite its definition as a dramma, and despite the fact that it was written for a great tragedienne, Armida Is full of laughs.

In the first act, the stage of the Teatro Rossini was turned into a Middle Eastern desert complete with ruins and the male chorus in Beau Geste. Foreign Legion costumes. There was a good deal of clowning, indicating that the sorceress Armida's magic lay entirely in ber sex-appeal. To underline the pin-up characterisation, Miss Fleming was made to wear e dress worthy of Adrian or Edith Head and a ridiculous blond ziggurat of hair that even Mae West would

have thought vulgar. The last two acts of the opera, in which Armida gives free rein to her sorcery (and Rossini to his), comprise some of the composer's most sensitive and imaginative pages. With Roncomi's tacky staging - Tasso's garden of delights was e black backdrop with the seductive bourls turned into cheap whores from a Berlin hrothel of tbe 1920s - you had to make e buge

effort of will to bear the musical treasures against the anti-musical produc-

Even wben one likes a Ronconi production, one always has the lurking suspicion that the producer hates music. Even when one has reservations about a Pizzi production, there is never any question about his genuine, insightful feeling for opera. And his Maometto II inspires no reservations: it is elegantly conceived, tellingly executed, of unerring taste. Originally designed for the Teatro Rossini, it bas been moved to the Palafestival (the barn-like reconverted baskethail stadium) with a slight loss of intimacy but a gain in grandeur.

The work was first performed in 1820 (just three years after Armida and, like it, et the Sen Carlo in Naples), again with the great Colbran. Cecilia Gasdia has gradually gained remarkable power and euthority, and now as Anne - the protagonist - she is touchingly vulnerable and, et the same time, defiantly heroic, loving and brave. In the long second act, she is almost always on stage; and in the final hour of the opera, she sings a succession of astonishing oumbers, including a great extended trio and a complex finale.

Her performance is a triumpb, at every moment supported by Pizzl's sensitive direction, and by the excellent performances of the other singers, notably the mezzo-soprano Gloria Scalchi fa tasteful, understated Calbo) the young Mexican tenor Ramon Vargas, whose voice is clean, clear, pleasing, and the bass Michele Pertusi, the Maometto, e young artist who made a deep impression in Semi-

ramide during last year's festival.

The Radio-Sinfonieorchester of Stutigart, cooducted by Gianluigi Gelmettl with accurate attention but with little flair, is an improvement over the Bologna of the previous night, and the Prague Chamber Chorus trained by Lubomir Matl is first-rate.

Pertusi, Scalchi - and now Vargas are to some extent Pesaro discoveries, a sign that the festival is now developing its own stable of stylistically appropriate Rossini singers. The not elways idiomatic superstars of the early days bave pretty much vanished from the programme; Pesaro's next job surely is to develop some new conductors and - vain hope, no doubt a few more sensitive producers.

William Weaver | but she spends more time com-

Edinburgh International Festival

Behind the Fringe

🔻 ven in Edinburgb, they cannot control the weather, or perhaps they can. Saturday's steady drizzle gave way to low cloud and a nip in the eir yesterday morning. Then suddenly the sun came out for the official opening of the 1993 Festival.

Actually the festival with a small 'I' had already started. Fringe productions have been running since early this mooth. In a reletively oew development, there have already been previews in London. It is used to be Edinburgh first, then London. The fringe gets bigger and bigger. Now in its 47th year, it

will host a record 1,235 productions with an estimated total of over 12,000 performances et 165 different veoues. In 1976 the number of shows was only 472. It is also becoming more proessional. The days wheo any college dramatic society could slum it for e few weeks in Edinburgh seem to be over. When the Red Shift Company is premiering the first stage version of Thomes Mann's Deoth in Venice, you are up against serious competition.

There are as yet no identifiable themes, just oddities. For example, there are four senarete productions of Sbakespeare's Much Ado About Nothing – e play which is currently going down well in Loodoo's Shaftesbury Aveoue - and three of A Midsummer Night's Dream. The oddest show of the lot may turn out be music from e New Zealand Celtic band.

Ticket prices are up, but not substantially. Entrance to over half of this year's fringe shows

will be £5 or less, and a few are

free. At the official Festival sponsorship is at a record level of £805,000. Among the leading contributors are the privatised Britisb Gas Scotland and Scottish Power. The latter is the biggest private sponsor of the lot and is backing some of the notable musical events, sucb as the Verdi Requiem per formed by the Royal Scottisb

National Orchestra The official Festival has reacted to suggestions that the main European theatre festival of the year is now in Salzburg by introducing e programme of collaboration. Peter Stein's production of Julius Caesar, which was shown in Salzhurg last yeer, will reappear at the Royal Highlend Exhibitioo Hall. Peter Sellars' production of The Persians by Aeschylus, which opens today, has also

been seen at Salzburg. So far, however, the main attraction is neitber theatre nor music. It is an outstanding exhibition of photographs called The Waking Dream: Photography's First Century, and comes from the Cilmen Paper Company Collection in New York. When e very simi-ler exhibition was sbowo receotly at the Metropolitan Museum of Art, I am told that the lighting was a little brighter. Edinburgh might take note of that.

Otherwise, this is the exhibition to see. Note, for instance, the wonderful pictures of Lady Ottoline Morrell in Cavorting by the Pool et Gersington, circa 1916 and the pictures of the American Civil War. The exhibition runs et the City Art Centre until October 2,

Malcolm Rutherford

Tonight: Lola Blau

1922), the Vlennese song-writer, per-former and playwright, was one of the lucky ones. He managed to leeve Austria (with his family) in 1938, worked in Hollywood and New York, and only returned to Vienna in 1955. Though be bad grown so accustomed to writing in English that be found it hard to resume his native tongue, it was back home in Vlenna, that be began to enjoy the greatest success of his career, and, according to the Old Red Lion's programme

note, he's still at it. The heroine of his show, Tonight: Lola Blau, is a chanteuse, but otherwise ber career is his. She is a Jew who manages to escape from Europe with her career intact, enjoys success in America, and then returns to Vienna. Kreisler, in telling ber story, tries to highlight a few aspects of the society around her - the importance of her entertainment to the poor as well as the rich. and the anti-Semitism that sur-

vives in postwar Austria. It is, however, alarming to find how lightweight, how passive, Lola Blau's story is. She just happens to escape from Austria, she just happens to become e star, she just happens to go back home. The only thing of which she expresse real need is to make it as a performer; and then to keep oo making it. Sure, she passes social comment now and then;

eorg Krelsler (b. menting on the vicissitudes of a stage career than on life outside the theatre. Refuge, life and limb register less strongly with her than stardom. And Kreisier conceives ber role more as e tour de force, song upon song upon song upon song, than as e character.

This British premiere bas the benefit of an uncannily first-rate translation by Don White, with all the songs in stylish rhymes, witty words and virtuoso metres (can the German original have been this good?), a bighly accomplished performance of the centrai role by Esther Zchieschow (an ectress from what was 'East Germany' performing in Eoglish for the first time with exceptional assurance), and fluent direction by Phil Young.

But Zchieschow does no more to round out Lola than Kreisler. She rattles off this buge, wordy, song-and-dance role with impressive concentration; but her Lola is not a star (just very accomplished), not a personality (just a commentator). There is more authority in Darryl Goodwin's performance of three small roles; and be also plays in the excellent stage band. It is easy to enjoy eecb passing feature of this show - but its heart is hollow.

Alastair Macaulay

At the Old Red Lion, Londoo ECI (071) 837 7816 until September 4; at the Old Fire Station, Oxford (0865) 79494, September 13-27



BERLIN

THEATRE The 1993-4 season at the Schaubühne opens on Fri with Georg Kaiser's expressionist drama From Morning to Midnight, directed by Andrea Breth (890023). Richard's Cork Leg, Brendan Behan's political comedy about fascism, opens the season at Tribune on Sat (341 2600). Freilichtbühne an der Zitadelle has open-air performances of Schiller's The Robbers from tomorrow till Sun (331 6920) MUSIC/DANCE

The 1993-4 season at the Deutsche Oper opens with a Ring cycle (Aug 24, 28, Sep 1, 5), staged by Götz Friedrich and conducted by Jiri Kout, with a cast led by Deborah Polaski, Karan Armstrong, Robert Hate, René Kollo, Günter von Kannen and Matti Salminen (341 0249). Merce Cunningham Dance Company performs at Staatsoper unter den Linden on Aug 25, 26 and 27. Daniel Barenboim conducts August Everding's open-air production of Die Zauberflöte at Waldbühne on Aug 29 (200 4762).

Baranbolm also conducts the opening concerts of this year's Berlin Festival, at the Philharmonie on Aug 31 and Sep 1 (254890)

BONN

Belgian planist André de Groote gives the third recital in his complete survey of Beethoven plano sonatas tomorrow at Beethoven-Haus, continuing every Tues till Sep 28 except Sep 1 (632500). Bonn Opera opens its 1993-4 season on Aug 28 with Prokofiev's ballet Romeo and Juliet, followed on Aug 31 by the first of five performances of the new Lyubimov/Schnittke music theatre piece Hommage to Zhivago (773667)

■ GENEVA

Victoria Hall Tonight: Eric Ericson conducts Drottningholm Baroque Ensemble and Chamber Choir in Johan Helmich Roman's Swedish Mass, plus music from Drottningholm. Fri: Sergiu Commissiona conducts Orchestre de la Suisse Romande In Tchaikovsky's First Plano Concerto (Elisabeth Leonskaya) and Rimsky-Korsakov's Scheherazade

(3124353)Hôtel de Ville Tomorrow: Eric Ericson directs his own chamber choir in music by Bach, Frank Mertin, Penderecki, Lidholm and other Swedish composers. Wed: Laurent Gay conducts Orchestre de la Suisse Romande in works by Mendelssohn, Mozart and ethoven. Thurs: Roland Pontinen piano recital. Sun: Westra Aros Piipare, renaissance Instrumental music and dance (312 4353)

Théâtre de Verdure Wed: The Real Group vocal quintet meets Lene Willemark, Fri: Tobias Tak. Broadway music and tap dance. Aug 27: Stockholm Jazz Orchestra (386 3876)

■ HAMBURG Justus Frantz brings the Proms to

Hamburg on Fri with a

Schleswig-Holstein Music Festival concert at the Musikhalle featuring Sinfonia Varsovia (354414) Brahms, Schoenberg and Egyptian-Greek composer Jani Christou (1926-70) are the featured composers in this year'e Hamburg music festival (Aug 22-Sep 12). in the opening concert at the Musikhalle on Sun moming, repeated next Mon and Tues evening, Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in a programme including Beethoven'e Third Piano Concerto (Anatol Ugorski) and the Schoenberg arrangement of Brahms' Piano Quartet. The festival also features the St Petersburg Philharmonic, the Czech Philharmonic, the Bavarlan Radio Symphony Orchestra and North German Radio Orchestra (247747)

■ NEW YORK

THEATRE Angels in America: the first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St. 239 6200)

 The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the

reunion in London of three American Jewish eisters (Ethel Barrymore, 243 West 47th St, 239 6200) The Perfect Ganesh: Terrence

McNally's poignant play about two middle-aged American women from Connecticut making a pilgrimage through India (City Center, Stage 1, 131 West 55th St. 581 1212) Three Hotels: a drama by Jon Robin Baitz In which e couple

discover the spiritual cost of the rise to corporate power (Circle Repertory, 99 Seventh Ave South, at West 4th St, 924 7100) Kiss of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig. directed by Harold Princa, with a star performance from Brent Carver

as the heroic homosexual window

dresser (Broadhurst, 235 West 44th St. 239 6200) The Who's Tommy: a stage adaptation of the classic 1969 rock opera, e collaboration between its original principal author, Pete Townshend, and director Des McAnuff (St James, 246 West 44th

St. 239 6200) She Loves Me: revival of award-winning 1963 musical by Joe Masteroff, Jerry Bock and Sheldon Hamick, about the romantic entanglements of a squabbling sales clerk and her manager (Roundabout, Broadway at 45th St, 869 8400)

 The final week of this year's Mostly Mozart Festival features the Beaux Arts Trio tonight, followed by orchestral concerts tomorrow, Wed, Fri and Set conducted by Gerard Schwarz. Soloists include Cho-Liang Lin and Cecilia Bartoli (Avery Fisher Hall 875 5030) New York City Opera: the next

MUSIC/DANCE

two weeks are devoted to Romberg's The Student Prince, daily except Mon. The first new production of the season is the New York premiere of Tippett's The Midsummer Marriaga on Sep 9 (State Theater 670 5570)

■ STUTTGART

LUDWIGSBURG FESTIVAL Tonight: Barbara Hendricks song recital. Aug 25: Neville Marriner conducts Academy ot St Martin In the Fielde. Aug 26: Anne Sophie Mutter. The festival runs till Sep 26 (07141-949610)

■ VIENNA A week of Mozart opera

performances at the Schönbrunn Schlosstheater opens on Sat. The repertory consists of Bastien und Bastienne, Der Schauspieldirektor and Le nozze di Figaro (0663-887063)

 Klangbogen: Vienna's summer concert series continues with a Takacs Quartet recital tonight et Schloss Schönbrunn, an operetta gala with Thomas Moser and other soloiats tomorrow at Theater an der Wien, e Schubert chamber music recital with violinist Christian Altenburger and friends on Wed at Konzerthaus, an operetta concert with the Sofia State Opera Orchestra at Theater an der Wien on Thurs and a Czech Philharmonic concert conducted by Vaclay Neumann at Konzerthaus on Fri. Sunday's programme at Theater an der Wien features Shlomo Mintz as violin soloist with Vienna Chamber Orchestra in the morning, followed In the evening by Haydn's The

Seasone performed by the London Classical Players and Schütz Choir conducted by Roger Norrington. Christa Ludwig is soloist in a Bernstein programme with the Orchestra next Mon et Raimundtheater, Aug 26: Academy

 Alda, etarring Aprile Millo, opene the 1993-4 season at the Staatsoper on Sep 1. Donald Runnicles conducts e cycle of Wagner'e Ring on Sep 5, 8, 12 and 19, with a cast Including Hildegard Behrens, Waftraud Meier, Siegfried Jerusalem, Poul Elming and Robert Hale (51444

ZURICH

Tonhalle The season begins with a series of Russian programmes focusing on music by Tchaikovsky and Prokofley. The opening concert on Sun is played by Moscow Radio Symphony Orchestra under Vladimir Fedosseyev, with piano soloist Alexey Botvinov. The following three concerts, on Aug 25, 30 and Sep 3. are given by the Tonhalle Orchestra under Yuri Ahronovich, and feature all five Prokofiev piano concertos played by Vladimir Krainiev. Sep 6: Czech Philharmonic Orchestra (261 1600) Opernhaus A revival of Tony Palmer's staging of La forza del destino, conducted by Eliahu Inbai, opens the season on Sep 1. The first two weeks also includa Lohengrin and Il barbiere di Siviglia. The first new production is Henze's Der Prinz von Homburg on Sep 12, starring Thomas Hampson (262

ARTS GUIDE Mondey: Performing erts guide city by city.

Tuesday: Performing erts guide city by city. Wednesdey: Feetivels Guide. Thursday: Festivals Guide.

Friday: Exhibitions Guide.

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West of Moscow 1830

Times Reports 1900

Moscow 0230; 0530

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The case against redistribution

resident Bill Clinton's hudget raises an age-old philosophical ques-tion: to what extent is state-mandated redistribution from the rich to the rest of society justified? The administration has imposed one of the biggest tax increases in US his-tory (nearly \$250bn over five years) yet boasts that only the top I per cent or so of taxpayers will face any increase in income tax. Some 80 per cent of the hurden will supposedly he borne hy families with

incomes of \$200,000 or more. Such an extraordinary emphasis on redistribution has few historical parallels. Yet few Republicans have had the courage publicly to challenge Mr Clinton. Afraid of appear-ing hard-hearted or apologists for the rich, most redirected their fire to proposals that made sense, such as the planned broad tax on energy. Since the mid-19th ceotury, forcible redistribution has typically been justified by likening national income to a giant cake. Since we all have similar material needs, the cake ought to he divided equally, Alas, this is not practicable, but government can reduce inequality by imposing progressive taxes taxes that rise more than

proportionalely with income. Utilitarians made this sound scientific by arguing that the law of diminishing returns must apply to money. The greater a person's earnings the less valuable must he each additional dollar of income; \$100 means little to a millionaire but a great deal to a beggar. The way to promote the greatest happiness of the greatest number was thus to redistribute cash from rich to poor until all incomes were equalised. Such logic eventually led to top marginal rates of income tax in excess of 90 per ceot in

most industrialised countries. But, of course, the cake model is grossly misleading. The level of national output is not a given, but depends crucially oo economic incentives which are blunted if incomes are equalised. This point may not seem compelling to salaried employees of large, stable organisations, in the short run changes in tax rates may not affect their bours of work or effort. But anybody eogaged in risky or entrepreneurial work



on AMERICA

does care about marginal tax rates. A freelance journalist's incentive to write extra articles will be greater if the top tax rate is 30 per cent rather than 40 per cent or 60 per cent. And the trend towards corporate "downsizing" suggests that many people formerly in stable

employment will face a less

More important, the cake analogy wrongly implies that society is a giant organisation run hy government. In reality, it consists of a myriad of different individuals with different aptitudes pursuing different Government is needed not to manage every-thing but to underwrile essentlal institutions, such as the legal system.

Material rewards depend on an unpredictable amalgam of effort, luck and tastes. Luck covers inherited wealth, innate ahilities and sheer good fortune, for example selecting a profession that rises in esteem. Tastes reflect preferences for financial as opposed to non-financial rewards: many economics professors, for example, could triple their salaries by working on Wall Street, but prefer a less hectic and more thoughtful lifestyle.

If government is not regarded as an all-powerful mother wielding a cake knife, the logical fiscal system is one that leaves economic relationships unchanged: in other words taxes that are proportional to income, rather than progressive. This meets the practical requirement that taxes should be related to ability to pay, but denies the majority a right to impose higher tax rates oo a minority (the wealthy) than they pay themselves. It regards taxes as a tool for financing essential public services, including a generous safety net for the poorest, but not as a means for social engineering.

The requirement that owners

of financial accounts disclose

their identity is intended to end the hribery which has enriched those at the top, and

to weaken the system of

hureaucratic patronage which

the president believes, is ham-

pering Korea's international

Mr Kim said the move would eliminate "the dark link

between politics and business",

depriving officials of the ability

to hide ill-gotten money. It was also intended to stamp out tax

evasion and the underground

economy, which is estimated to

equal 20 per cent of gross

Mr Kim is taking a hig gam-

hle at a time when the econ-

omy is sluggish; he acknowl-

edged that "in the short term,

the (real-name) system is likely

to cause a variety of ill effects". Liquidation of

accounts held in false names

sent share prices down 8 per

cent hy Saturday's stock mar-

There were worries that a

capital shortage could cause problems for small and med-

ium-sized husinesses which

have depended on unofficial

lending markets largely

financed hy money held under

false names. The move could

also precipitate flight of capital

abroad or into property as

investors seek new tax havens.

though the government prom-

Mr Kim's hroader aim is to

reduce centralised manage-

ment of the economy by

bureaucrats and politicians.

and to give greater play to

market forces in order to

restore the country's industrial

competitiveness, which has

lagged in recent years as wage

costs have risen and productiv-

ity has dropped.

The president had bitterly

attacked the status quo during

20 years of opposition to the

military dictatorship which

collapsed in 1987. When he

abandoned the opposition in

1990 and became the conserva-

tive government's presidential

candidate in last December's

election, suspicions grew that

he was really a politician of the

old school. But his record in

office has restored his reform-

ised to prevent this.

competitiveness.

national product.

Such a rule meets common sense ethical standards. A rich man eating caviar while children starve is an obscene spectacle. But what if the children are eating hamburgers and chips? Is that kind of inequality fundamentally wrong?

There are also more mundane reasons for regarding spe-cially high taxes on the wealthy with scepticism. They are rarely paid. Mr Clinton is raising the top rate by a third to 40 per cent. This translates into large notional tax increases for the rich. A couple earning \$500,000 a year faces an annual increase of about \$27,000; a couple earning \$1m an increase of about \$80,000. Will such families hand over these sums or will they call their tax lawyers and find legal ways to reduce their liabilities?

History points to increased avoidance. The share of federal tax paid hy the top 's per cent of taxpayers (those currently on more than \$220,000) has typically oscillated between 15 per cent and 20 per cent, regardless of the level of the top rate. Mr Robert Barro of Harvard University points ont that this share reached a postwar record high of 22 per cent in 1988, after the top rate fell to 28 per cent, higher than in 1960 when the top rate was 91 per cent.

In other words at the peak of the "greedy" 1980s the rich were shouldering a larger share of the national tax burden than ever before. This partly reflected special factors, such as soaring asset prices hut the low tax rates also increased incentives for top earners and reduced the advantage of taking income in nontaxable forms, such as fringe benefits.

The Clinton administration will say that a 40 per cent top rate is not high hy historical standards. True, but the direction of change is ominous. So is the bypocrisy of many liberal (left-leaning) Democrats who enjoy quite lavish personal lifestyles while preaching a gospel of hairshirt egalitarianism. Contrary to popular rhetoric, there are oon-selfish. principled reasons for questioning the merits of a tax increase restricted to 1 per ceot of the population.

Gamble to squeeze has sprung the presidency. Announcing last Thursday night an immediate out corruption ban on the use of aliases in financial transactions, he boldly stepped up his campaign against pervasive corrup-tion in South Korean public

South Korea's president is taking a risk at a time when the economy is sluggish, says John Burton

First, he ousted the authoritarian old guard at the top of the military establishment and the intelligence agency, and imposed civilian control over these powsrful organisations in an effort to complete Korea'a transition to democ-

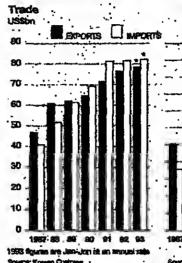
Then came an aggressive anti-corruption campaign, which exposed hribery among senior government officials, military officers, university administrators, hank presidents and corporate executives. Top politicians and government officials have been forced to disclose their assets The government audit agency and the tax authorities have been ordered to uncover cor ruption in government and business. The campaign has won Mr Kim immense popularity, with approval ratings of 80 per cent or more.

But he is not without critics. The reform programme has been hlamed for disrupting the economy, which grew hy 3.9 per cent during the first half of 1993 compared with the same period in 1992, slow by compar-ison with other Asian countries such as China. The central bank forecasts that the growth rate for the full year will be 5.7 per cent, below the government target of 6 per

The Federation of Korean industries, the leading husiness lobby group, has complained that uncertainties created hy reform proposals on streamlining the country's big business empires, labour policy and financial liheralisation bave dampeoed corporate

Officials who process corporate proposals for new investment have delayed decisions because they fear being accused of corrupt practice.

"It is easy to forget that the system of pay-offs did allow businessmen to get things done under a regime of strict bureaucratic controls," says the head of research at a western hroking company in Seoul. "Remove the only way around the regulations, without changing the actual rules, and you have accomplished nothing South Korea: the economic challenge GDP growth Annual % change President Kim Young-sam



except to make it harder than before to function," he added. However, Mr Sanjoy Chowdhury, chief Asia/Pacific economist for Merrill Lynch, the US broking house, says: "President Kim needs to show determination in correcting the structural faults that threatened Korea's future prosperity. His programme offers progress in that direction, although

more may need to done." The challenge facing Mr Kim is to reduce government control over the economy because the current system, once praised as a model for developing countries, is criticised as outdated for Korea's mature economy. The government no

Wage growth.

industrial development efficiently. Instead, the bureaucracy's taste for micro-management hinders restructuring of

Taming the bureaucracy would improve prospects for implementing economic reform in three main areas: Financial liberalisation: eas-

ing state controls on banks and capital markets and reducing the government's role in credit allocation, in order to make more efficient use of capital and stop pouring money into uncompetitive companies that the government deems strate-

gic.

• Industrial policy: the gov-

ernment wants to reduce the dominance of the large congiomerates, the chcebol, and to promote small and mediumsized companies. The alm is that the chaebol should concentrate on a few core industries.

Fiscal policy: promoting economic equality by hroadeoing the tax base, cracking down on tax cheating and clos-

ing loopholes. Mr Ahn Chung-ni, a profes sor of political science at Seoul National University, says: "Kim is engaged in a race against time in achieving his political and economic reforms. He has to push as fast as possihle and keep his conservative opponents off-balance."

olitically. Mr Kim appears safe for now. He has used the anticorruption campaign to strengthen his position within the ruling Democratic Liberal party. Internal oppo-nents, mostly linked with previous military backed governments, have been forced to disclose fortunes gained through questionable means. The reform programme has Democratic party of a strong alternative message to attract

The biggest threat to Mr Kim is a faltering economy, which could cause his popularity to

There are some healthy signs: wage growth has slowed as lower inflation and worries ahout job security have persuaded workers to accept moderate pay increases; and exports have risen because of the depreciation of the Korean won against the Japanese yen. Most economists predict that growth will accelerate in the second half of the year,

But the slowdown in the Chinese economy - a growing market for Korean products could undermine exports, and a rise in interest rates as a result of the introduction of the real-name system could depress investment.

There are indications that Mr Kim is prepared to tone down reforms to keep the economy going. Investigations of corruption in the banking, con-struction and defence industries appear to have been curtailed in an attempt to restore business confidence.

However, Mr Kim has indicated his determination to press ahead. The next few months will test his skill in balancing long-term goals against the need to revive econamic growth quickly. South Korea's future depends on his

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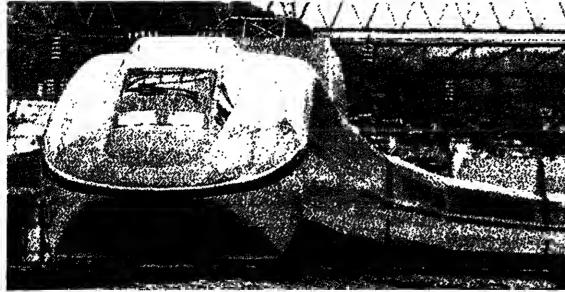
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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

The cost of Unesco

From Ms Margaret Quass. Sir, It is gratifying to learn from the report of the foreign affairs select committee ("MPs in call to rejoin Unesco". August 4) that nothing stands in the way of Britain rejoining lhe United Nations Educational, Scientific and Cultural Organisation but "spending pressures".

The current assessment for UK memhership is £10.6m a year, which will be reduced to £8m when the US rejoins. Modest as this is for what we get hack temployment, sales of equipment, benefits of sclentific research, etc), it has, since 1964, come out of our overseas aid hudget, which Baroness Chalker is naturally reluctant to cut. But Unesco is oot pri-marily an aid agency; its field of activity encompasses science, education, environment

culture and communications. If the office of public service and science and the education, environment and national heritage departments were to ahare the foad with the Overseas Development Administration, each would be required to pay only £2.13m a year and would he getting an excellent bar-gain. And Britain would once again be in a position to infin eoce international policy on matters of great concern. Margaret Quass, Friends of Unesco, 3 Whitehall Court, London SWIA 2EL

Attack on Russian reformers' monetary policy is misleading slowed, and the rouble bas

From Prof Jeffrey D Suchs. Sir. Steve Hanke and Kurt Schuler (Personal View: "How to halt Russia'a rouble charade". August 13) misdirect their fire by accusing Russia's reformers of lacking a strategy

to stabilise the rouble. The reformers, led by finance minister Boric Federov, agree with Hanke and Schuler that credit policy should be rule-based and restrictive. They face profound political and institutional obstacles in implementing such a policy.

Sometimes the conservatives still hold sway, as with last month's ridiculous currency confiscation. None the less, the reformers have made progress: hyperinflation has been

strengthened in recent weeks. Hanke and Schuler dismiss the reformers' efforts since they fall short of the pristine standard of a currency board. with zero domestic credit creation. Currency boards certainly have their merit, and have proved useful for some small open economies such as Hong Kong and Estonia, though they have been consistently eschewed by large countries for political and economic reasons.

A currency board is neither necessary nor sufficient for stabilisation. Hanke's favourite successes are Chile and China. neither of which has a curhyperinflation has heen rency board. The vast majority avoided, credit creation has of stabilisations throughout

without currency boards, while some countries with currency boards or similar arrange-ments (such as Liberia and Panama) have none the less succumbed to state hank-

Hanke and Schuler's call for rule-based monetary policy is most welcome, but their attack on Russia'a reformers for the failure to implement a particular vision of 100 per cent monetary purity is thoroughly mis-

Jeffrey D Sachs, professor of international trade. department of economics, Harvard University . Cambridge. Massachusetts 02138.

The right tax option for Clinton

From Mr Sarvjeet Carcha and workers are stupld - not being prices.

Mr Robin D Nuttall. able to realise that a rise in the Mr Robin D Nuttall.
Sir, it is misleading to argue

("Mr Clinton's Tax Deal", August 9) that labour taxes reduce employment any more than value-added consumption taxes. A rise in either form of taxation reduces the purchas-ing power of labour income, and thereby has an equivalent impact upon wage demands. Consequently the detrimental Consequently the detrimental that workers would aimply Robin Nuttail effect upon employment is the demand higher wages to comsame, unless you believe that pensate for increased import Cambridge CB2 1TP

price of consumption goods means they can buy less of

To assume so would be inconsistent for a newspaper that was arguing as recently as last year that devaluation would have no lasting effects on competitivenesa and employment - on the grounds

Moreover, an increase in labour taxes cen be focused on the rich whereas an increase in consumption taxes cannot. Thus, if the higher tax revenue in the US is to be met hy the rich it is to labour taxes, not value-added taxes, that Clinton must turn.

Sarvjeet S Garcia, Robin Nuttall,

A unitary coal business would offer the industry more security present coal contracts. A uni-

From Mr J D Meads.
Sir, The theme of Tony Jackson's article ("No more huried treasure", August 9) was that UK coal reserves, and the col-lieries which work them, have a value only to the extent that coal production is - or can be - profitable. I do not dispute that general principle.

Where Mr Jackson's analysis

was deficient - apart from his underestimation of the technical difficulties and costs of mothballing collieries - is his lack of appreclation of how the UK coal industry's efficiency has advanced in recent times. Since the national strike of the mid-1980s British Coal col-lieries have achieved real unit cost reductions averaging 5 per cent each year. We can and will

The figure of £2.3bn which Mr Jackson quotes as the "sub-sidy" inherent in British Coal's prices to the electricity generators is open to serious dispute; the figure is, in any event, out of date, because it was calcu-lated on the basis of British Coal's 1990-93 contracts with the generators now expired -not the current ones.

At privatisation, the new owner of British Coal is likely to find that it has more col-lieries capable of matching the price of imported coal, delivered to the UK customer, than it can find a market for. The crux of the problem is that the size of the UK coal market will be constrained by possible sales volume imposed largely hy the excessive huilding of the electricity generators when new gas-fired power stations - it comes to renegotiating the | Nottingham NG7 7DP

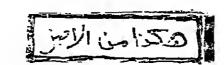
rsther than by the relative cost of UK and imported coal.

Whether the UK coal industry will have a viable future beyond expiry of the present coal contracts in 1998 will be determined by the extent to which it is able to retain and reinvest the profitshifty which reinvest the profitability which its efficiency ought to justify.

The key issue here is priveti-sation structure; as Mr Jack-son acknowledges, the life of a tragmented UK coal industry is likely to be nasty, brutish and short. While British Coal will be able to compete with imports within the UK, it will not normally be able to com-

present coal contracts. A unitary coal business would be best placed to counter that strength, as well as being best able to spread the risks inherent in all mining operations, particularly those undertaken in UK predicted condition. in UK geological conditions.
It is true, as Mr Jackson points out, that in terms of employee numbers British Coal is now but a shadow of its former self. But surely that does not justify the insouciance with which he contemplates our complete demise?

John Meads, general secretary, British Association of Colliery Management, BACM House, 317 Nottingham Road, Old Basford,



Economics in the new Japan

Democratic party domination, Japan's economy, as well as its politics, is unlikely ever to look quite the same again. The sevenparty coalition government, gratefully grasping the reins of power and with the possibility of a second election not too far ahead, has every incentive to change ths rules of the economic as well as the political game.

For years, US governments have been demanding a shift in Japa-nese government and household hehaviour from saving towards consumption, in order to reduce Japan's trade surplus. Now, independent of US pressure, the change in underlying economic and political circumstances may be about to deliver the fall in Japanese national saving and the trade surplus that the US has long

What will drive a reduction in the trade deficit is the strong rally in the value of the Japanese exchange rate which has occurred over the past month. The yen has appreciated by 22 per cent against the US dollar since the beginning of the year, and by 15 per cent since the election in mid-July. For the moment, the combination of the yen appreciation and depressed demand for imports means that the dollar value of the trade surplus is still rising. But the yen rally will inevitably bite into the competitiveness of Japanese exporters. Export volume growth is already slowing.

Still, the pace at which the trade deficit falls will depend on how fast imports rise and thus on the strength of domestic demand over the coming year. The economy's recent hiccups, the political outlook and the changing power bal-ance between the politicians and the bureaucracy all point to the possibility of a faster recovery than would otherwise have been

A cut in interest rates by the

easier monetary policy would also be the most effective way to stem the rise in the yen. But the stimuhas is more likely to come from another fiscal package in the second half of this year.

The Ministry of Finance will fight hard to resist the income tax cuts that the new government appears to favour. The risk is that despite the opposition of the bureaucrats, a weak coalition will rush to buy the support of voters through profligate fiscal policy. But even if it is still sufficiently powerful to prevail on tax cuts, the MoF will have to sanction

some form of fiscal loosening. Yet the most significant fiscal policy changes are likely to be those which encourage a fall in private, rather than government, saving. Japan's households have traditionally been big savers only partly because they wanted to save. The web of taxes and regulations that the LDP spun to attract its rural constituencies also made consumption difficult and expen sivs for urban dwellers. In the new world of Japanese politics, the re-drawing of constituency boundaries, the re-balancing of representation towards urban areas and the apperent decline in political support for the socialist party all make the interests and concerns of urban voters much

more important than before. The government thus has an opportunity to remove many of the distortions - particularly concerning the ownership, use and transfer of land - which have traditionally impeded consumption and contributed to the emergence of trade and financial imbalances over the past decade. By removing the disincentive to private consumption, while keeping a tight grip on fiscal policy in the medium term, the new govern-ment could also reduce the trade deficit and achieve a permanent improvement in US economic relations. US administration officials, however impatient for signs of short-term fiscal policy activism,

Bank of Japan would be the most effective way to revive Japan's still sluggish economy. If the government is really worried, an In the pit

inevitable ever since the UK gov-

original hit-list earlier this year.

Mr Michael Heseltine, the trade

and industry secretary, could not

say so at the time, such was the

political uproar that greeted last

year's closure programme. The

government may not feel able to

say so now, although the news

even larger number of pits has

been leaked. But the harsh truth

is that March's white paper did

not provide a rescue, only a

Coal is a dirty and expensive

form of generating electricity and

is therefore being inexorably

driven out of the market by cheaper and cleaner gas. The

white paper failed to guarantee a

larger market for coal by elbowing

aside other forms of energy. It

coal down to world market levels

if any extra market could be

But it has become abundantly

clear that the main generators, National Power and PowerGen,

than they want, and have no

immediate need of any extra sup-

plies on top of what they have already contracted to take. Even if

they sign up for more from next

Meanwhile, the prospects for UK

coal have further deteriorated.

Partly to blame is the govern-

year, the amounts will be small.

that British Coal wants to close an

FURTHER PIT closures have been tors to burn more orimulsion, an even dirtier but cheaper form of ernment gave a stay of execution fuel than coal. But the reprieve of 12 of the pits on British Coal's the 12 pits has also played a part. It has resulted in British Coal building its own 14m tonne stock-pile of unsold coal. The larger the coal mountains above ground, the more pointless it is to dig for coal

would be wise to sit on their

hands and see what develops.

underground, There will be some who think that the government should re-explore options discarded in the white paper such as banning new gas-fired power stations, closing nuclear plants and halting imports of French electricity. But changing the energy market in such ways would impose higher slec-tricity costs on British businesses

and consumers. The only sensible way forward is to press ahead with privatisation, in the hope that a small but efficient industry will emerge. In doing so, ministers will need to merely promised subsidies to bring the price of British-mined consider carefully whether British Coal should be broken into competing companies. Although this would give a spur to productivity. there may be something in the counter-argument that the generating duopoly would find it too easy to dictate terms to an excesare not willing to buy more coal for the tims being. They have already stockpiled far more coal

sively fragmented industry. As far as pit closures are concerned, there is an economic case for an open announcement that another 15 or so pits will have to go. Prolonging the agony would be debilitating for those who work in the industry. By adding to the coal stockpiles, it would also undermine the industry's remaining chances of long-run viability. But politics will presumably dictate

Insurance crunch

WHILE THE rest of the UK financial services industry has been subjected to painful structural change over the past decads, the life assurance sector has enjoyed a relatively trouble-free existence. Since the introduction of the 1986 Financial Services Act, the commissions it charges to policyholders have actually gone up, and the cost base of much of the industry has also risen against

the wider financial services trend. There are now good grounds for thinking that the 1990s will see a profits crunch in life assurance. One pointer is the recent decision by the chancellor of the exchequer to call for a regulatory regime that demands improved disclosure of commissions, and thus a more effective form of competition. Another is the decision announced last week by the Cheltenham & Gloucester Building Society to stop selling endowment mortgages and to sever its distribution link

For Cheltenham & Gloucester, ing themselves in advance. with Legal & General.

this represents a simultansous retreat from financial conglomeration and from a commitment to a product with which the public is understandably disenchanted. A return to repayment and interestonly mortgages is only possible because the society has a sufficleatly low cost base to do without commission fees from Legal & General on endowment policies.

For medium-sized players in the retail financial services business the name of the game in future will be to focus on those products that will retain their appeal in an improved-disclosure environment and to do so on the basis of the lowest possible cost. The inefficient will be weeded out, though the shock will be made less severe by the fact that a large number of mutual insurers enjoy a protected form of ownership. But there will be no escape from competitivs pressure in the product market itself. The more efficient practitioners will anticipate it by position

hen a Spanish profitable year he does not invest in plant and equipment to expand his business and create jobs. Instead, be puts money aside to cover the cost of sacking workers when the market wanes.

Mr Felipe González, Spain's prime minister, sometimes tells this story to businessmen to illustrate how the high costs of labour protection have contributed to bis country's unemployment level of 22 per cent, the highest in the European Com-

For the leader of a socialist government to suggest reducing labour protection as a key to job creation is indicative of a new openness in the EC unemployment debate which has spread to the European Commission as it prepares a study of the link between jobs and com-

The Commission is examining whether the high cost of employ-ment and high protection of European workers is one reason why so people have jobs. Only 60 per cent of people of working age have johs, compared with 75 per cent plus in the US and Japan, and half of Europe's 17m unemployed have been without work for more than

While the Commission is not considering abandoning its commit-ment to minimum employment rights as enshrined in the social chapter, an increasing number of officials are searching for a new balance between protection and deregulation. "Relaxing the rules governing hiring and firing is not the only answer but some countries do need to loosen up a lot more," says a senior Commission official.

For the past decade, much of the EC has been experiencing growth virtually without any net increase in jobs. Even countries which have had above average growth, such as France, Italy and Ireland, have seen no significant increase in employment. Given the gradual increase in female workforce participation, the Commission estimates that merely to reduce unemployment from 11 per cent to 7 per cent requires the creation of 10m jobs before 2000.

The rise in EC unemployment since the early 1970s has as many causes as there are countries. There are also significant diffsrences between countries in the way that unemployment is counted. In Spain only those on the unemployment register qualify for free health care, thereby inflating the jobless figure. Nevertheless, EC countries do share several problems and could learn from each other's experiences in trying to tackle them.

Debate across Enrope is now focused on four main areas of

The high costs of firing and the restrictions on part-time and temporary work. It may seem perverse to make it easier to fire people when the aim is to increase employment levels. But in increasingly open and competitive markets, employers, large and small, will only hire if they know they can fire when the going gets tough.

one in the EC is 22 weeks' pay (26 weeks for white-collar workers and 16 for blue-collar), and most countries require statutory consultation with unions or the state. Denmark, Ireland and the UK have fewest restrictions; Spain, Italy, Creece, Portugal and the Netherlands have the greatest; Belgium, France and Germany lie in between.

Many southern European states with their low workforce participation rates and high long-term unemployment illustrate the point that the more regulation there is to protect full-time jobs, the fewer

employers will offer. "The legacy of regulation in southern Europe stems from a time when product markets too were highly regulated, but with the liberalisation of markets the full-time employment guarantee has to be loosened too," says Mr David Grubb, a labour market expert at the Organisation for Economic Co-operation and Development.

Spain and Italy, where it can cost more than two years' pay to sack

The EC is seeking to redress the balance between worker protection and labour market flexibility, writes David Goodhart

Back to work a speedier way

in the process of cutting that amount and making the negotiating period shorter.

There has also been some reform of the tight regulstions that southern European countries have inherited governing part-time and temporary work. In France and Spain, where temporary contract work was liberalised in the 1980s, more than half the long-term unemployed found part-time work. In Spain, nearly 40 per cent of all contracts compared with an EC average of 9 per cent.

ome labour market economists argue that increasing part-time work does not increase employment overall hut repackages a given number of full-time jobs into a larger number of insecure part-time or temporary ones. This argument still finds strong support in Italy, which has the least part-time and temporary work in the EC, and which until last month banned private employment agencies such as Mannower.

It may, indeed, be undesirable to allow temporary work to reach the level It has in Spain, where the government is now offering employers subsidies to convert temporary jobs into permanent ones. But the evidence from France and the Netherlands shows that part-time and temporary jobs are a useful way for employers to test out employees and that they can often lead to full-time jobs.

 The relatively high cost of labour and, in particular, the bur-den of high payroll taxes. One of the most straightforward reasons for the EC's inferior performance on job creation compared with the US and Japan is pay. The pay of EC workers increased at an average of 4 per cent a year in real terms dur-ing the 1980s while in the US and Japan it was virtually static.

The French government has just come np with a novel scheme to offer subsidies to companies where the workers take a cut in real wages preserve jobs, but it is difficult, the short-term, for governments bave a direct impact on wage

They can more easily do some thing about the high health and social security contributions paid by employers, as well as reducing their own role in wage setting. The Italian government, for example, has recently abolished the Scala Mobile which linked pay rises to inflation, while the French mini-

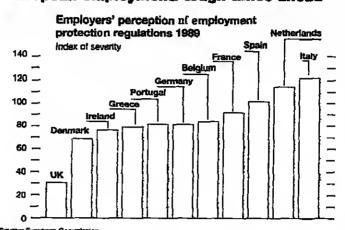
Relaxing hiring and firing rules is not the only answer but some countries do need to loosen up more'

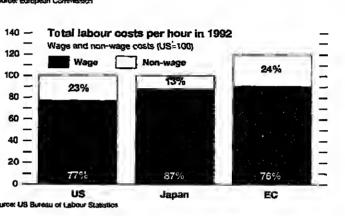
mum wage scheme which, according to many studies, has reduced youth employment, is gradually being phased out.

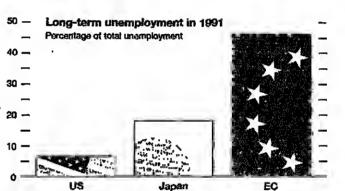
Payroll taxes on employers. which add on average 30 per cent to the EC's wage costs, are coming under scrutiny sverywhere. In Den-mark the payroll addition is only 3 per cent and in the UK 13 per cent, but in France, Italy and Belgium the average figure is 45 per cent and often much more for higher paid

"For historical reasons some

European employment: tough times ahead







countries loaded a large part of the social security burden on employers - there was no other way to collect the revenue," says Mr Peter Burgess of UK pay analysts incomes Data Services. But the burdens on employers ars increasing, not diminishing, the spread of informal employment in many EC countries,

especially Spain. Greece and Italy, Few recession-hit European governments are in a position to carry the burden of payroll taxes them selves. But the Belgian government is trying to reduce the social security contributions of employers in export industries by introducing a national energy tax, and the French government intends to cut employers' contributions to family allow-

As UK ministers point out, the model for many reforms is the low payroll tax, easier hire and fire, British labour market. For the lowproductivity/low-wage economies of southern Europe the UK may hold lessons. Arguably, the UK has developed a highly deregulated labour market because of its historically open-market economy. Southern European countries have tended to mimic this pattern since joining the EC, and their once highly regulated labour markets are following suit. UK-style flexibility

can also offset disadvantages such as poor education and training and low labour mobility, which beset

the southern countries However, the British way is less relevant to the high pay and high productivity northern European countries, according to Mr Terry Ward, an economic adviser to the European Commission. In the Netherlands and Germany,

Getting Europe back to work requires more than just renewed economic growth

long-term employer-employee commitments at the workplace and centralised pay bargaining, plus the regulations which accompany them. may have contributed to their high value-added economies. While employment in the UK has been riding a roller-coaster - up in the late 1980s and down in the early 1990s - the three countries with the lowest unemployment - the Netherlands, west Germany, and Luxembourg - have all been severely regu-• The low labour-intensity of the

service sector. With unemployment rising fast in most northern countries, there is still a case for targeted deregulation, especially in the service sector, which is much less labour intensive in the EC than in Japan or the US. Unless the service sector can absorb the jobs lost in manufacturing, Cermany could face persisteot structural unemployment, as a result of unification and competitive adjustment. Loosening the regulations governing some jobs - for instance, electricity repairmen and other domestic service providers - could lead to job creation.

"We have cut ourselves off from many of the labour-intensive service sector jobs in Europe by importing immigrants to do them. You just have to compare refuse collection in France, where it is a low status job done by immigrants, with the same job in Sweden, where it is dignified and well paid," says Mr Zygmunt Tyszkiewicz, head of Unice, the European employers'

 More efficient targeting of state aid and active labour market policies. The OECD says there can still be an important role for the state through active measures such as spending on training the unemployed, and on financial support for

he Dutch government has led the way on job-sharing by insisting that all new employees in the public sector are limited to a 32-hour week. The Belgian government has just agreed that workers over 55 can work half time, receiving a mixture of pay and pen sion, thereby releasing jobs for the

The UK government has ahan doned incentives, introduced in the early 1980s, for public sector employees to split johs, and has heen suspicious of wage subsidies, a relatively inefficient form of job creation. But as the country with the highest overtime in the EC, the UK could examine how to convert some of the overtime into new jobs without upsetting low-paid employees

who need the extra money. Where labour policy activism is higher, long-term unemployment tends to be lower, according to some labour market economists. For example, compulsory interviews and counselling for the long-term unemployed have bad positive results in Britain and France, where nearly 30 per cent of those interviewed found either a job or a training place. Job clubs, self-help clubs for the unemployed, have also been a successful British innovation now being copied in Por-

An examination of different responses to long-term unemployment in the EC, under the Ergo programme, concluded recently that the creation of businesses and the encouragement of self-employment was more worthwhile than "makework" schemes - which may come as a surprise to some member states. It also found that counselling measures were the most cost-effective means of getting people back ile fit

us n.

to work. tive in those EC countries where unemployment benefits do not run out after a period of time. Such open-ended benefits, unless carefully designed, can throw up a web of disincentives to work, especially in part-time and temporary johs. Some people can be dissuaded from taking jobs by the high initial cost of giving up their benefits, and they need "hack to work" grants to

bridge the gap, as in Japan. Getting Europe back to work requires more than renewed ecowants to emulate the harsher aspects of the US labour market. where two-thirds of employed workers are subject to instant dismissal and far fewer unemployed workers than in Europe qualify for benefits. But all the signs are that the trend of the 1980s towards deregulation is picking up speed. Governments as well as Brussels have grasped the importance of labour market reform and are groping towards a new balance between employment protection and flexibility.

OBSERVER

Time for a change

vitae needed a little extra something? Admit it. Despite all the titles, years of study at the highest seats of learning, and truly eclectic pastimes, haven't you ever dreamed of topping off your resume with an MSc in Managing Change? Thankfully, help is at hand. Sheffield Business School, in

partnership with the London-based Centre for the Study of Change, has scored a world first. Senior managers and consultants can now obtain a master's degree in what TV troubleshooter Sir John Harvey-Jones calls the "most desirable management skill for

"When it was an occasional problem, change seemed much simpler," says Dr Ian - I/C change Cunningham. "Today, as wave upon wave of change crashes through nations and organisations. it no longer looks so simple." Clad

to have you aboard, doctor. Now down to basics. It's a part-time course, takes two years, and involves the self-managed learning approach - not to be confused with the DIY approach. To begin, participants will need their own "Learning Contract". But don't be put off by the jargon. It is simpler than it sounds. Just answer the following five questions: Where have I been? Where am I

now? Where do I want to go? How if I have arrived?

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Approved

Where does Sir James Birrell. who steps down as chief executive of the Halifax Building Society this week, invest his own retirement money? Quizzed on the question in the latest Mortgage Finance Cazette, Sir James lists the usual array of Halifax products before letting slip that he has a portfolio of ordinary shares · some good and some bad. "One of my best is Abbey

Sound of silence

■ The break up of Yugoslavia has posed a tricky problem for the organisers of the world athletics championships in Stuttgart. The International Amateur Athletics Federation has decided that athletes from the Yugoslav athletic federation will be allowed to compete as independents wearing a white outfit with no national colours. In the unlikely event that any of them wins a medal, the IAAF will play the European



'I'd hate to be suddenly made redundant while I was soaring on a tide of optimism'

Community's theme tune, Beethoven's Ode to Joy. A one minute silence might be be more appropriate.

Marking time

Now that Business Week magazine has proclaimed George Soros as the "most powerful and successful investor in the world", It's hard to believe that he will ever have to wait again for an appointment,

However, Observer hears that in the past the man who moves

markets and terrifies central bankers has occasionally had to wait his turn. Soros, who has donsted a lot of money to fund has been making several trips to Oxford to talk to academics and often arrives before student tutorials are finished.

But rather than use the time to check on the fate of the latest currency in his sights, or pen another Op-Ed piece, the world's greatest financier has taken to sitting in the porter's lodge of Holywell Manor, Balliol's graduate centre, and watching cricket. Just goes to show that it never pays to under-estimate the college porter.

Unlucky

Talk about hard luck tales. There is a real humdinger in the latest issue of The Antique Collector where the new Earl Spencer, Princess Diana's brother, outlines "the worst year of my life."

The Earl inherited a family business which was losing £450,000 a year when he took over. "Every time I wake up in a cold sweat from the worry of it all. I just think how empty my life would be without the challenge of fighting for the survival of this lumbering endangered species." Apparently,

he is talking about the family pile - 13,000 acres plus stately home - rather than the family itself. But it is not all the fault of the Earl's late father or his spendthrift

stepmother, Raine. "My family have always sold the wrong thing" says the 29-year-old Earl, His grandfather flogged a Holbein to Baron Thyssen for £10,000 and now It's worth £55m. Worse still a great-great uncle sold three villages in the 1830's. Unfortunately, they happened to be Clapham, Wandsworth and Wimbledon

Over zealous

■ No wonder President Bill Clinton is taking so long filling the empty posts in his administration. Shirley Chater, President Clinton's candidate to head the Social Security Administration, seems to be running into some difficulty after admitting that she failed to pay social security taxes for ber part-time teenage babysitters between 1969 and 1975.

It might sound a terrible crime to non-Americans but on the scale of US tax evasion it is not worth mentioning. Indeed, if this litmus test was used to bar all candidates for high office then the US Government might have to consider importing candidates from abroad.

Spot on

In a bid to catch the mood of the occasion, the European Society for Opinion and Market Research is holding its next seminar on "Consumer Research in the Fragrance Business" in Cologne.



FINANCIAL TIMES

Monday August 16 1993



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Wounded Bosnians airlifted out amid attacks on west's motives

By Gillian Tett in London and Laura Silber in Geneva

A GROUP of seriously wounded Bosnians were airlifted out of Sarajevo vesterday amid claims that the operation had become a publicity exercise by western governments.

Thirty-nine injured adults and children were flown for urgent treatment in Britain and Sweden. and a further five are expected to be evacuated by the frish govern-ment in the next few days.

However, Dr Patrick Peillod, the head of the United Nations medical evacuation committee. criticised the motives behind the airlifts, saying sick and wounded children were being paraded 'like anlmals in a zoo".

There has also been widespread

criticism of insufficient co-ordination between the different

aid groups.

The British government said it would be "reassessing" the situa-tion before it pressed ahead with its offer made last week to send a second aircraft for evacuation. Meanwhile, in Geneva, Mr

Radovan Karadzic, the Bosnian Serb leader, said the recent Serb withdrawal from strategic mountains around Sarajevo meant that the city was "no longer under

Peace talks between the three warring sides are due to resume in Geneva today, after the Bosnian delegation agreed to end its two-week long boycott of the talks, initially called to protest against the Serh siege of Sara-

Although the Bosnian delegation now appears to accept the concept of an ethnic partition for Bosnia, Westero hopes for a speedy settlement seem likely to he dashed, with the future of Sarajevo and the precise boundaries of the future mini-states

still strongly disputed. UN protection forces in Zagreb, the Croatian capital, said that although the situation around Sarajevo was now fairly quiet, fighting continued between Moslems and Croats in central Bosnia, blocking aid convoys in that

Meanwhile officials representing the United Nations High Commission for Refugees in the former Yugoslavia said that although nearly 300 beds had been offered for injured Bosnians

by European and Moslem governments, as well as private US groups, they had only been wanting to evacuate some 25 victims a week from Sarajevo.

UN officials stressed that more aid was needed across the region, and reiterated that with its funding due to run out in October, the UNHCR was critically short of

As the diplomatic wrangling over the humanitarian efforts continued, the British government sought to downplay allega-tions that it had boped to focus on child victims from Sarajevo, following the emotional press coverage of frma Hadzimuratovic, a five-year-old mortar victim who was evacuated by the British government last

minister

By David Goodhart, Labour Editor, in London

charter

employment secretary, has surprised European Commission officials by calling for a world social charter of minimum employment rights to supersede the European Community's own social charter.

markets.

ourselves we would be hetter world social charter.

charter concentrating particularly on basic health and safety

labour regulation is under scrutiny in several countries which fear the competitive threat from low wage South East Asian countries, the idea of a world social charter is unlikely to find favour with all Mr Hunt's cabinet col-

The idea, which is sometimes proposed in the form of a social clause in the General Agreement on Tariffs and Trade, has been quite widely discussed in France, and even the US, but is usually pushed hardest by International

British seeks world social

MR DAVID HUNT. Britain's

Mr Hunt, who proposed the ldes privately to Mr Padraig Flynn, the EC social affairs commissioner, said it was "ludicrous" for EC countries to impose extra non-wage labour costs on themselves through the EC social charter when they had to compete in world

But he also believed there was case for some basic level of employment protection which all countries, including developing countries, would have to

"Instead of imposing costs on served pursuing the idea of a "I would like to see such a

standards," he said.
Although improved world

trade union bodies,

Porsche starts counting the cost of arrogance

UK importer goes back to its roots, writes John Griffiths

ORSCHE is seeking to reestablish customer loyalty in the UK after admitting it has paid a high price for past

In 1987, a record 3.700 of the German-built luxury sports cars found their way to UK customers. By last year sales had fallen to just 945.

The importer, based in Reading, west of London, has completed a restructuring of its operations and is now going back to its roots - appealing to sports car enthusiasts rather than its 1980s reputation as a "status

Mr Kevin Gaskell, managing director of Porsche Cars Great Britain - the manufacturer's UK sales subsidiary - encountered the perception of arrogance in market research about the famous marque. "In concluding that we were perceived as arrogant it was only telling us what we already knew." be says. There was a time when not only were we not listening to what the

even listening to ourselves."

The image portrayed in the research was that Porsche and its 28-strong dealer network were aloof purveyors of high priced cars, rapidly losing their competi-

Continued from Page 1

to their own citizens.

both environmentalists and cam-

paigners for democracy in areas like Africa, where governments

rarely disclose much information

While environmentalists critic-

ised the case hy case disclosure

policy, the new policy would.

nevertheless, expand the catego-

ries of document made public by

Staff appraisal reports on indi-

tive edge against a growing number of rivals, particularly from

The headquarters of Porsche

ft has therefore turned part of its beadquarters into a dealership and has set up a new division. Porsche Special Products (PSP). A major function of PSP is to provide a recovation and maintenance service for the 36,000-

dramatically. The headquarters employs 90 people on all activitles, compared with more than 200 in 1988. In terms of the break even has been cut from annual sales of 2,200 annual cars two years ago to just 700.

initiatives to make parts and service costs more competitive to

World Bank cuts back disclosure plans

vidual projects, reviews of the

overall economy or of specific sectors in member countries, and

summaries of audits by the Bank's operations evaluation

department would be made avail-

Cars (GB) reflects the status of the company. The £13m building, clad in black smoked glass, was erected on the outskirts of Reading in the mld-1980s and was designed to be capable of distributing 6.000 new Porsches a year, its canacity as an import centre bas never been much more than half used. Nor does Porsche expect to see 6,000 sales a year in the UK in the near

strong UK Porsche population.
Staffing levels have been cut

The company is also launching

franchised Porsche outlets. Mr Gaskell says there are 16 such outlets in Greater London alone. "It's up to us to find that cross-over point between quality and cost where that husiness will come back to us". Porsche Cars CB is currently on course to lift sales to more than 1,000 this year. Sales of the 91 model, beavily updated in its

wrest back business lost to non-

30th year, are up sharply. The next really substantial sales boost, bowever, is likely to come with the 986, an all oew car based on the Boxster coocept car which Porsche unveiled late last year and to be launched in the mid-According to Mr Caskell, the company could have sold 2,000 cars in the UK last year, but that

would bave meant discounting

and potentially damaging resale

Little could be more indicative of the new bumillty at Porsche than one of the first cars waiting for renovation by the Special

It is a decrepit, badly rusted 911 Targa, "Its owner has given us a budget of £4,000 to restore it. We welcome the work and will turn it back into something be can be

document attached to the policy paper, fails even to say where the project it describes is sited. Environmentalist groups are particularly critical of a proposal that the panel's findings should only be made public after the Bank board had decided on them - too late for the plaintiff to have

However, a new "project information document", intended to give advance information on promuch influence on the decision. However, it seems likely that jects being considered for Bank financiug, is viewed by environ-mentalist groups as inadequate. executive directors will agree to the disclosure policy at a board One sample project information meeting on August 26.

Having spent a vast quantity of the Bundeshank's D-Marks in its futile attempt to defend the franc, the French government now faces the embarrassment of repaying the loan. Although the Germans are unlikely to send in the bailiffs, the French are theoretically obliged to return the money within three months. The difficulty could be partly eased by rolling over some of the loan for a further 90 days. If the franc appears reasonably stable, the Bank of France might gingerly sell francs on the currency mar-kets to recoup the D-Marks, as it successfully did after earlier crises.

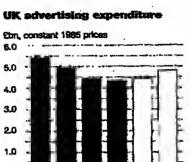
But the sheer scale of the FFr180bn foreign currency reserve deficit suggests more urgent action will be required. The deficit leaves the French largely denuded should the franc again come under attack. Capital controls may provide one means of defence, although this is bardly in keeping with the single European market. In any event the French government will want to raise fresh finance for future contingencies as well as

repay the D-Marks it owes. Given the size of the funding task, the French will have to raise the money through a variety of channels. The Bank of France may reluctantly sell some gold reserves. The govern-ment may borrow some money in the syndicated loan market, but this is relatively expensive. It may also issue domestic OAT bonds and swap them into D-Marks, yet the franc swaps market has limited liquidity. In the end the French may he forced to the cheapest course. Foreign currency bonds are the most sensible way to borrow, however much the government dislikes them.

UK insurance

The rising equity market has contributed more to the recapitalisation of the UK insurance industry than the stream of rights calls and preference share Issues. Most composite insurers maintain equity portfolios at least equal to shareholders' funds. For Sun Alliance, the most geared to equities, the 25 per cent rise in the stock market since sterling's devaluation may have added £500m to its capital base. The exception is Royal, which bolds equities equal only to around half

shareholders' funds. So far Royal's shares have not been beld back by its gilts and other fixed interest investments. It roundly outperformed the sector over the last 12 months as underwriting conditions



THE LEX COLUMN

have turned. With the UK underwriting recovery now fully in the price, though, differences of investment mix are more likely to tell. The question for shareholders and management alike is whether the likely outperformance of equities over the long term is worth the additional risk. Another bull equity market in the

1989 90 91 92 793 794

1990s would most likely leave UK insurers overcapitalised. Very high solvency ratios are a hurdle to making a decent return on capital, however good the investment returns. Insurance companies riding a rising equity market also feel little pressure to make decent underwriting profits. That partly explains the extent of insurance losses during the last three years. Direct Line, the darling of the insurance industry, both makes an nnderwriting profit and holds its assets wholly in bonds and cash.

Advertising

The marketing strategies being pursued by branded goods companies may not be a mortal blow for hard-pressed advertising agencies. Mr Charles Scott, chief executive of Saatchi & Saatchi, acknowledged last week that discounting of branded goods would suck money ont of advertising budgets in the short term. But pioneers of everyday low pricing such as Procter & Gamble have pledged that advertising support for their brands will not be reduced overall. The remaining price differential of branded goods over generic products would otherwise be impossible to defend.

Yet the outlook for advertising agen-cles is far from cloudless. While advertising expenditure should grow as the industrial economies turn, the stratospheric rate of growth seen in the 1980s - with advertising growing

The price of failure steadily as a proportion of gross domestic product - is improbable. The wild card is the question of hrand valuations in company accounts. A recent study commis-sioned by the UK Accounting Standards Board supported balance sheet valuation of acquired brands, subject to certain financial tests. If that approach is carried through into an accounting standard, consumer goods companies will have a financial incentive to maintain advertising investment in their brands. Agencies would doubtless applaud such an approach. Still, having written off £600m of good will to reflect a permanent diminution in value of acquired agency brands, Saatchi & Saatchi will also appreciate the pitfalls.

British Gas

Tha recent surge in British Gas's shares looks a little odd since the Monopolies and Mergers Commission's verdict on the company's fate is due to be unveiled tomorrow. Admittedly, that doom is not binding - the Department of Trade and Industry has yet to pronounce. In a market powered hy hopes of lower interest rates and the search for yield Gas's dividend looks attractive. Still, the risks will not be clear until the report is published, and the MMC has a reputation for sur-

prises.

The main areas of concern are the structure of the industry, the rate of return British Gas is allowed to earn on its pipeline, and the abolition of the company's monopoly of the domestic market. A full break-up of the company looks improbable, but the MMC may insist that its operations are split into separate subsidiary companies. increasing overhead costs. Gas's pipeline returns seem unlikely to be increased substantially, but a higher rate may be allowed on new investment. Abolition of the domestic monopoly is definitely on the cards, though that may be phased over a

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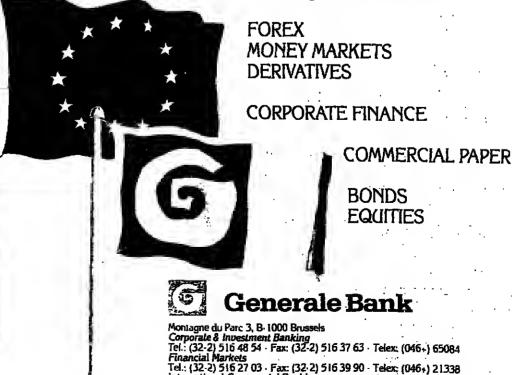
period of years.
None of which will do much to improve the company's financial prospects. Non-regulated exploration and production activities will start to generate substantial cash by the mld-1990s, yet much of that will be needed to replace and expand reserves. Since British Gas wants its dividend to be covered twice, the attractive yield is unlikely to be fattened by hefty divi-dend rises. Those who have bought ahead of the news will have to bope they have read the MMC correctly.

Generale Bank

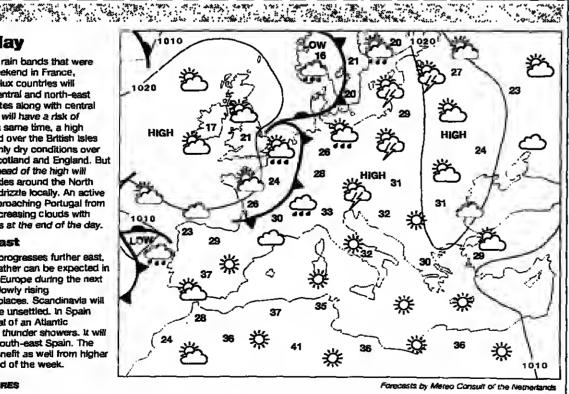
- 1992 -Exchange Rate Forecaster of the Year Euromoney Treasury Manager
- 1992 -Best Belgium Government Bond Trading Firm Euromoney
- 1992 -Best Provider of Belgian Franc Foreign **Exchange Services** Euromoney

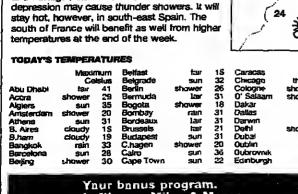
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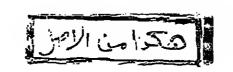


Europe today Thunder showers and rain bands that were England and the Benelux countries will gradually mova into central and north-east Europe. The Baltic states along with central and southern Sweden will have a risk of thunder storms. At the same time, a high pressure area will build over the British Isles causing calm and mainly dry conditions over Ireland and most nf Scotland and England. But a small disturbance ahead of the high will cause rather cloudy skies around the North Sea, with light rain or drizzle locally. An active depression, slowly approaching Portugal from the west, will cause increasing clouds with perhaps some showers at the end of the day. Five-day forecast As a high over Britain progresses further east, fair and mainly dry weather can be expected in most parts of western Europe during the next few days, along with slowly rising temperatures in most places. Scandinavia will however continue to be unsettled. In Spain and Portugal, the arrival of an Atlantic









INSIDE

Stock market inquiry into bid for Fnac

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Tha future of Fnac, one of France's largest retail groups, has been put in doubt with the announce-ment of an official investigation into a bid for control of the group. The Paris stock market watchdog has ordered an inquiry into the FFr1.2bn (\$198m) bid for a controlling stake in FNAC tabled last month by Altus Finances and Phénix. Page 15

Medway admits sale talks

Medway Ports, which recently announced its Inten-tion to seek a stock market flotation next year, confirmed that "a number of approaches had been received which may or may not lead to an offer for the company". Medway admitted that discussions with one of the unamed parties - thought to be Forth Ports - had reached an advanced stage.

Sales jump for Shield

Shield Diagnostics, which will be floated on the stock exchange next month, has seen sales increase fourfold in each of the past two years, partly by acquisition, to reach £1.7m (\$2.5m) in the year to March 31 1993. Page 14

Sound signals from Swiss banks The big three Swiss commercial banks were

among the slowest to wake up to the liberalising winds that swept through the world banking industry in the 1980s. But the recent revelation by Union Bank of Switzerland of a SFr1.29bn (\$845m) con-solidated net income in the first half indicates that they are now among the world's more profitable commercial banks as well as the soundest.

Good times for US bondholders

Conditions could not be much more favourable to holders of US government securities. Monetary policy is on hold with interest rates near record lows and inflation will probably stay low because the economy is growing so slowly. Page 16

Denmark's choice surprises

The launch last week of a SFr1bn Eurobond issue by Denmark came as a surprise to the market. The kingdom, which has been borrowing heavily to replenish foreign exchange reserves, had been expected to opt for the more liquid French franc sector. Page 17

Prospective p/e ratio.

The latest prospective p/e ratio for the "500" index for calendar 1993 is 15.1 according to IBES, the consensus estimates service (last weelc 15). This compares with an IBES estimated p/a for the "500" of 19.9 (19.7) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 19.79.(19.75):

Market Statistics

Base lending rates
FT A World indices
FT/ISMA int bond svc
Foreign exchanges

London share service Managed fund service

Companies in this issue

Credit Suisse

Hoskins Brewers Laurentian Bank

15 Medway Ports 13 New London 15 Polly Peck Shield Diagnos 14 Sunitomo Chemical 15 Swiss Bank 15 UBS

Nadir was offered chance to control RHM

SOME OF the best-known hrands on Britain's supermarket shelves might have passed to Mr Asil Nadir if an audacious plan for control of one of the country's largest food producers had not

foundered three years ago.
It emerged yesterday that Mr Asil Nadir, the fugitive businessman who earlier this year illegally fled bail for northern Cyprus facing charges of theft and false accounting, was offered the chance to take a substantial stake in Ranks Hovis McDougall (RHM), the mill-

ing and baking group, in spring 1990. RHM, which was bought by the conglomerate Tomkins last December, pro-duces goods such as Mr Kipling cakes, Mother'a Pride bread, Bisto gravy and Rombouts coffee

Sir James Goldsmith, the international financier, offered his 29.9 per cent stake in the group to Mr Nadir on behalf Andrew Jack reports on an acquisition plan just come to light that would have made Polly Peck 'the bakers to Europe'

entered administration in October 1990. Polly Peck's acquisitive growth in the 1980s brought it brands such as Del Monte, the fresh fruit business, and Sansui, the Tokyo-quoted electronics com-

Sir James visited Mr Nadir with Mr Jim Slater, the one-time stock market guru and entrepreneur. The two men offered Mr Nadir the stake in RHM which was then owned by Sunningdale Holdings, a vehicle controlled by Sir James, Mr Jacob Rothschild and Mr Kerry Packer, the Australian media

The RHM shares were originally

bought for 400p each in May 1989 after a takeover bid launched by Goodman Fielder Wattie, the Australian food group, lapsed the previous year following a referral to the Monopolies and Mergers Commission. The stake was offered to Lord Hanson, but ultimately sold at a loss at the end of January 1991

at just 300p a share. The shares would have offered the chance for a takeover hid and given considerable influence with the board to Mr Nadir. It would have directly given him the power to block extraordinary resolutions, which require the support of 75

per cent of shareholders.
Senior executives of Polly Peck at the

by the RHM offer and particularly the prospect of acquiring the company's

According to one, he said: "We will be the bakers to Europe." He said Sir James and Mr Slater had told him be was the "only person in England" who could take over RHM.

Credit Suisse First Boston was commissioned to consider the acquisition. If it had gone ahead, the plan was to sell off the branded businesses and retain the baking operations. But the offer was ultimately rejected because of difficulties in raising the finance, the complexity of RHM, insufficient management

realisation that he would have had to make a hostile bid.

During summer 1990, Polly Peck also came close to offering £250m (\$372.5m) for International Leisure Group, the owner of Air Europe and Intasun which collapsed in March 1991. Polly Peck was approached by Coldman Sachs, the US vestment bank, which had been asked by ILG to find a partner as its financial position worsened. It also approached Lonrho, the international trading group.

According to former directors, Polly Peck rejected the ILG offer because of substantial potential liabilities on leased aircraft and diffculties in raising the money. Mr Nadir was interested in the airline for flying tourists to his hotels in the near East aod to combine with Noble Air, the airline then controlled by

Kenneth Gooding reports on the response of continental producers to rising exports from the CIS

Aluminium fence goes up around Europe

. ika many Russians, Mr Igor Prokopov can become emotional at times. And he gets noticeably cross when anyone suggests that the Commonwealth of Independent States is entirely responsible for bringing the weatern aluminium industry to its knees

There has been an unprecedented surge in CIS aluminium exports which European producers say has depressed the price to a point where their industry is on the verge of collapse.

But Mr Prokopov, president of Concern Aluminiy, holding company for the CIS industry, points out that aluminium is a world commodity and there is only one market - a world market. The CIS is an important member of that market and the rest of the industry will have to adjust to

Japan once was a blg alumin-ium producer, he recalls, but now makes virtually none. The Japanese were forced out in the early 1980s because their costs were too bigh, particularly their energy costs. Nobody blamed the CIS producers for that, so why blame them now? Mr Prokopov says most CIS smelters use lowcost hydro-electric power, as do smelters in Latin America and Canada. It is not their fault if smelters in central Europe have to buy relatively high-cost energy, making them high-cost

Mr Prokopov becomes particularly agitated at suggestions that the CIS is dumping aluminium in the west. How can this be, he asks, when all official CIS contracts are linked to the world price set by the London Metal Exchange and most of the export is handled by reputable western trading companies?

His spirited defence cuts little ice with the European Commisaton which last week imposed restrictions on CIS aluminium imports, insisting that only 60,000 tonnes may be imported between now and the end of November about half of what might otherwise have been expected.

Mr Prokopov says this makes no sense. Putting a fence between Europe and the CIS will not work - the metal is a global commodity that will simply enter the world market elsewhere. The restrictions make even less political sense when the world's industrialised countries are dismantiing trade harriers and attempting to help the CIS transform to a market economy, Western analysts suggest that

the CIS produced about 2.7m tonnes of aluminium last year, down from 2.9m tonnes in 1991. It exported about 1m tonnes, of which nearly 600,000 tonnes went to other parts of Europe. At the end of the 1980s the former Soviet Union was exporting only 200,000 tonnes, of which 124,000 tonnes went to western Europe.

Even though chaotic conditions in the CIS cut demand for aluminium from 2.6m to 1.8m tonnes last year, there were still shortages of the metal. The fish canning industries in Russia and the Ukraine complain that there is not enough available. Among other things, the metal is also used for canning caviar, one of

the few Russian products that has instant appeal in overseas

Aluminium has that same appeal. Russia and some other parts of the CIS can produce topquality aluminium - much of it used to go into military and aerospace equipment - which is readily convertible into dollars.

Smelter managers prefer to export to earn dollars instead of being paid by domestic customers in rapidly depreciating rou-bles. Their smelters are not just making metal - they provide the sole support for whole communities, including schools and hospitals. Dollars earned provide food, medicine, school books, not just raw materials and smelter equip-Concern Aluminly estimates

that \$250m to \$300m a year raised from aluminium exports is spent by the industry in the EC. Nevertheless, the Commission has responded to pleas for protec-

Part of the Commission's explanation for its action was: "Aluminium produced in CIS states

enjoys the buge advantage of

artificially low energy prices and

US cents per pound

25

CIS

Cenada

France

Brazili

UK

'US

Aluminium production costs

ern countries."

environmental standards that are far less strict than those in west-Nobody disputes that environmental standards in CIS smelters are appalling. If Russia's own

Alcoa discovered that conditions were so poor in some Russian smelters that a worker's

average life expectancy was only 47 years tion from European producers smelters would close down.

who claim that CIS imports have depressed aluminium prices to their lowest ever level in real terms and to a point where some smelters are not earning enough to cover cash productioo costs.

The European industry has been forced to make expensive production cuts - 80 per cent of the 1.1m tonnes of western capacity cut so far is in Europe.

A team from the Aluminum Company of America (Alcoa) dis-

that a worker's average life expectancy was only 47 years. The European industry wonders if it makes any sense to

ued to move towards a market covered that conditions were so poor in some Russian smelters

close relatively modern smelters in the west to allow the CIS mon-

sters to continue operating? As for costs, the Russians claim they produce aluminium at about \$500 a tonne. But eoergy costs are heavily subsidised and labour rates range from one US ceot to two cents a pound - less than those in most developing coun-

Industry consultant Mr Anthony Bird estimates that, alded by these "astonishingly low" input prices, CIS smelters in mid-1992 were producing aluminium for about 25 US cents a lb well below the 53.6 cents average at smelters in the rest of the world. But by the year 2000 only one or two smelters would still be competitive if the CIS contin-

economy. The western industry says lt cannot wait that long for relief. However, it is split about what action should be taken.

Until last week US producers were not asking for protection -but said the EC action might force them to do so.

Mr Paul O'Neill, Alcoa's chairman, in June tried to head off restrictions by the EC: he announced that Alcoa, even though it had some of the world's lowest-cost smelters, would cut its output by 25 per cent at the cost of 750 jobs.

He also called on governments to find "a mechanism to deal with the economic consequences of the dissolution of the former Soviet Union."

The EC, too, is seeking a multi-

lateral solution. It is willing to assist in the modernisation of CIS smelters and wants to encourage the regeneration of CIS domestic demand for aluminium

The western industry has already taken some tentative steps in this direction. But, by imposing restrictions, the Commission obviously hopes to grab the attention of Mr Boris Yeltsin. Russia's president, so that, lo spite of all his other problems, he will move those besetting the aluminium industry nearer the top of his ageoda.

n something as complex as the British government the government's heart: non-

In the early 1980s the government abolished the redun-dancy fund, which allowed employers to claim back the costs of statutory redundancy pay. In 1991 employers were made responsible for paying 20 per cent of statutory sick pay

pay required by a European directive. The government also

doubled over the past 20 years. is often more important than the direct cost. Already employers have to deal with PAYE for the state and, ancouraged by the govern-ment, about half of all employees are in company pension schemes. These have, until recently, produced great financial benefits for many compa nies, but still impose a consid-

erable administrative cost. "Despite its rhetoric the govarnment seems to be drifting towards the discredited conti-

employee's point of view they may belp to protect welfare payments from the vagaries of government spending. From an employer's point of view they help to reduce unwanted labour turnover by locking in

employees.
But that also creates a "lockout" effect for the unemployed by increasing the fixed cost of employment. In any case even in countries with low statutory pay-roll costs, employers can provide discretionary benefits such as private health care and company cars to those employees they want to lock in.

Several continental European countries are currently trying to unload some of their pay-roll taxes on to general taxation. Belgium is trying to reduce employers' social secu-rity contributions in export industries by introducing a national energy tax and the new French government wants to cut the family allowances

that employers have to pay. Low non-wage labour costs are vital for Britain's "worksharing" economy, in which part-time employment plays an important role, because employers are relatively indifferent as to wbatber they employ a large number of people for short periods or a smaller number for long peri-

Britain is a low-wage economy compared with France or Germany, but thanks to tha high level of employment, national income per head is not far behind those countries. Higher non-wage labour costs would iconardise that balance. The UK is not the only highly indebted government facing a dilemma over nonwage labour costs. Across the Atlantic the Clinton administration is facing an even more blatant conflict between its aim of creating a large number of jobs, and its objective of implementing a national health insurance programme which would, inevitably, increase the cost of hiring.

derivatives

By Tracy Corrigan in London

BANQUE Paribas, the French bank, plans to set up a new unit to guarantee its deriva-tives business. It will be tha first separately capitaltsed derivatives unit created by a Enropean hank, following a trend started by Merrill Lyncb

Financial institutions with weak credit ratings have found themselves at a competitive disadvantage to top-rated banks in the highly credit-sen-sitive but incrative derivatives market.

their ratings fall to single-A, as many firms are limited by internal restrictions to dealing with credits rated double-A and above. Banque Paribas is rated Al by Moody's and A by Standard & Poor's. S&P assigned the new unit a preliminary rating of triple-A on Friday.

Credit quality is particularly significant in the \$4,000bn over-the-counter market in swaps and options, because exposure to a counterparty is often over a long period.

according to the commitments

This announcement appears us a matter of record only.

The crunch comes when

The new Paribas unit, Pari-

bas Dérivés Garantis SNC, is 99.9 per cent owned by Compagnie Financière de Paribas. The unit will act as a guarantor, rather than a counterparty. Paribas the structure had been chosen to allow clients to continue to deal with Banque Paribas, a regulated bank. The Commission Bancaire, the French bank regulator, has approved the struc-

The initial amount of capital backing the unit is FF800m. Like Swapco, the total capital will be adjusted regularly



(Incorporated in the Federative Republic of Brazil)

US\$ 50,000,000 10% Notes due December 1995

> Lead Manager ING BANK

Co-Lead Manugers BARCLAYS DE ZOETE WEDD LIMITED PACTUAL OVERSEAS CORPORATION

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ING BANK

Internationale Nederlanden Bank

June 1993

United Airlines avnid some conflict hetween different policy objectives. But a potentially damaging conflict is emerging in a field close to

wage labour costs. These costs have always been relatively low in Britain because healthcare and much of welfare spending is paid for out of general taxation. Several continental European countries, by contrast, impose hig pay-roll taxes on employers and employees.

According to the European Commission, non-wage labour costs add an average of 30 per cent to employment costs in the EC. The figure approaches 50 per cent in Germany. France, Italy and Belgium, but is only 13 per cent in Britain, primarily national insurance. The government believes. that low non-wage labour costs, combined with relatively light labour regulation, are an important part of the UK's comparative economic advan-

The small "tax" on jobs contributes to a high proportion of adults in work as well as sucking in a disproportionate level

of inward investment. The "opt-out" from the Maastricht 'Treaty's social chapter on minimum employment rights, apparently a policy triumph for prime minster Mr John Major, was fought for on the grounds that it allowed Britain to hang on to its low

non-wage labour costs. Yet much of what the government is doing, or planning, runs counter to this commitment. In the current review of public spending, ministers openly speculate about transferring welfare costs from the state to individuals and employers, threatening to send non-wage labour costs clim-

And, curiously, if more costs were to be transferred to employers, it would be consistent with what has actually

government dilemma over labour costs

happened over the past 10

Just last week the govern-ment announced that employers would have to foot the hill for improvements to maternity

Economics Notebook By David Goodhart

plans to cap the reimbursement employers receive for employing disabled people and will require employers to deduct child support payments from recalcitrant fathers. (In the case of the maternity directive and the disablement cap the government will be creating disincentives to pursua its own equal opportunities goals).

The government's response is to point out that most of these burdens are short-term and inexpensive. The axtra maternity payments are, for example, said to be just 0.02 per cent of Britain's wages bill. The government would also argue that, thanks to the social chapter opt-out, non-wage labour costs will be rising from

a low base. But it is the trend that is

worrying. According to the government's own figures, non-wage labour costs have

employer-based welfare," warns Mr Ira Chalphin of the Institute of Directors. It is not only employers'

that "have a less unfavourable impact on employment".

report, normally more sympa-

thetic to continental European

labour markets, says that high

employers' contributions encourage the black economy.

There are some things to be

nentai European model of

organisations which complain about new overheads. There is a consensus among labour market analysts that shifting the welfare burden away from employers is good for employ ment and labour market flexi-bility. The latest OECD Employment Outlook says that the financing of social security systems should switch from payroll taxes to other taxes

Even the European Commission's Employment in Europe

said for pay-roll taxes. From an Paribas sets up unit for

COMPANIES AND FINANCE

Medway bid talks are at advanced stage

By Christopher Price

MEDWAY PORTS, which recently announced its intention to seek a stock market flotation next year, confirmed yesterday that "a number of approaches had been received which may or may not lead to an offer for the company."

Potential bidders are thought to include Forth Ports, Mersey Docks and Powell Duffryn. Medway admitted that discussions with an unamed party thought to be Forth - had reached an advanced stage.

Pre-tax profits are likely to reach £10m this year, which at current industry valuations would put a potential sale price of £100m on the the ess-based group.

Medway, which was bought hy its management and employees for £37m in March last year, has made no secret of its desire to link up with

groups, and has indicated that the absence of a merger its flotation would enable it to make acquisitions.

Mr Peter Vincent, chief executive, said recently: "If it was a safe pair of hands, we'd bave to look at it very seriously. 1 see Medway as part of bigger group in the long term, whether we build it up ourselves by acquisition or find a

As the flotstion was predicted to raise in the region of £70m, a sale at the potentially higher price would result in a windfall for Medway's 270strong workforce, which was recently granted share options as part of an incentive scheme For the 10 months to Decem-

1983, and employs about 200

people. Fisons announced its

intentiou to sell CP Pharma-

Mr Savage said the company

intended to make spare capacity available to other pharma-

ceutical companies on a con-

would also be looking to estab-

lish strategic alliances with

tract manufacturing basis, and

ceuticals last September.

Yet Shield's path to a listing has been no smoother than her Medway made pre-tax many other high technology profits of £3.5m on turnover of £25.2m. In the first six months companies. Founded in 1982 with eight people, it only started shipping products in 1990, and last year it lost 2653,000, though that was betof this year, pre-tax profits have jumped to £4.5m.

ter than the previous year's deficit of £1.4m. It is not expected to break even until 1994. Shield was created by entrepreneurial scientists from Dundee university and the city's Ninewells hospital. Its field has

the crop of biotechnology com-

panies that have come to the

market recently: one that already bas products on sale.

The Dundee-based company

has 23 products for diagnosing illnesses in use worldwide. Its

sales have increased fourfold

in each of the past two years,

partly by acquisition, and

reached £1.7m in the year to

March 31 1993, having been

The fact that it has been sell-

ing products distinguishes it

from four of the five blotech-

been listed on the Stock

Exchange in the past 14 months: out of British Bio-tech-

nology. Tepnel Diagnostics,

Celsis Diagnostics, Anagen and Drew Scientific, only the last is

earning money from its prod-

nology companies which have

£110,000 in 1991.

Swhich will be floated on the Stock Exchange next diseases in tests outside the body. month, is that rarity among

In 1987 Mr Hamish Hale of the venture capital company Alan Patricoff Associates (now named Apax Partners) became its chairman and Shield, under new management, raised £4.5m of venture capital funding.

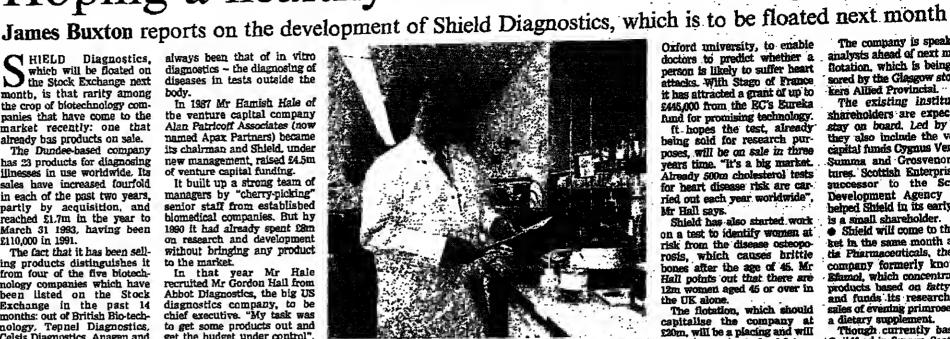
It built up a strong team of managers by "cherry-picking" senior staff from established blomedical companies. But hy 1990 it had already spent 28m on research and development without bringing any product to the market.

In that year Mr Hale recruited Mr Gordon Hall from Abbot Diagnostics, the big US diagnostics company, to be chief executive. "My task was to get some products out and get the budget under control", says Mr Hall

His own diagnosis of Shield was that its strength lay in developing and manufacturing diagnostic discoveries; but it was hampered, like the other small hiotechnology companies, by high fixed overbeads. Although the company soon

began marketing a range of kits that test for a variety of auto-immune diseases, Mr Hall bought in discoveries from other companies which Shield could manufacture, thus spreading the overheads bur-

Last year Shield acquired



Hoping a healthy future will be diagnosed

Gordon Hall: task was to get products out and control the budge

two products from Northumhrian Biologicals, which added nearly £700,000 to its turnover. They were a test for chlamydia, a sexually transmitted, genito-urinary disease which affects women, and for cyto-megalovirus, an agent which can produce infections and for which donated blood is increas-

Our products are consistent, which those of some of our small rivals are not," says Mr Hall. "That means they will have the same characteristics

ingly being tested worldwide.

in a year's time as they have today, which makes them a reliable test."

Shield, he says, is not depen dent on the UK's National Health Service, which he says pays poorly. It exports twothirds of its output, mostly to multinational diagnostic companies in the US, Germany and elsewhere.

The company has high hopes for two of the tests which it has under development. It is perfecting an advanced form of test, based on research by

Oxford university, to enable doctors to predict whether a person is likely to suffer heart attacks. With Stago of France it has attracted a grant of up to £445,000 from the BC's Eureka fund for promising technology. ft-hopes the test, already being sold for research pur-

poses, will be on sale in three years time. "It's a big market. Already 500m cholesterol tests for heart disease risk are carried out each year worldwide" Mr Hall says. Shield has also started work

on a test to identify women at risk from the disease osteoporosis, which causes brittle bones after the age of 45. Mr Hall points out that there are 12m women aged 45 or over in the UK alone. The flotation, which should

capitalise the company at 120m, will be a placing and will raise new equity to fund future

The company intends to acquire other companies and buy in new products. It would like to become the biggest British-owned company in the field of in vitro diagnostics.

"Obviously we don't expect to go on growing at the same rate as the last two years," says Mr Hall, but we expect reasonable growth in sales. More space at the company's headquarters on the Dundse Technology Park is being converted from offices to manufacturing. Staff now total 45.

CROSS BORDER MAA DEALS

The company is speaking to analysts ahead of next month's flotation, which is being sponsored by the Glasgow stockbrokers Allied Provincial.

The existing institutional shareholders are expected to stay on board, Led by Apax, they also include the venture capital funds Cygnus Ventures, Summa and Grosvenor Ventures. Scottish Enterprise, the successor to the Scottish

helped Shield in its early days, is a small shareholder. · Shield will come to the market in the same month as Sco-tia Pharmaceuticals, the drug company formerly known as Efamol, which concentrates on products based on fatty acids and funds its research from sales of evening primrose oil as

Development Agency which

a dietary supplement. Though currently based at Guildford in Surrey, Scotla has strong Scottish connections, manufacturing some of its products at Callanish in the

Western isles, and may shortly establish a plant in Dundee. Scotia was founded by Dr David Horrobin 15 years ago. It made pre-tax profits in 1991-92 of £1.1m on turnover of £16m.

Earlier this month dealings in its shares were suspended shead of the flotation, details of which have not been disclosed. The shares had traded at a price which would value the company at more than

Buy-out at Fisons offshoot Weddell Pharmaceuticals in

FISONS has disposed of CP Pharmaceuticals, its Wrexhambased bospital and generic products subsidiary, to a holding company formed by a management buy-out team, led by Mr Charles Savage. The price paid was not disclosed.

The company was formed by Fisons from a merger of Charnwood Pharmaceuticals with

Correction

Mr Jonathan Agnew

An article in the Financial Times on August 6 incorrectly reported Mr Jonathan Agnew as having been dismissed by Kleinwort Benson Group, in fact, as Kleinworts said in a press release on May 4, Mr Agnew intended to resign in August after the announcement of the interim results. The chairman's statement of August 5 confirmed Mr Agnew's resignation on August 6. The FT apologises to Mr Agnew for any embarrassment caused by the error.

New London losses surge to \$23.7m

similar companies.

Losses at New London, the UK oil and gas company, deepened from \$1.46m to \$23.7m (£15.9m) pre-tax in the year to March

The London-based company booked net provisions of \$16m against disposals.

Turnover totalled \$135.9m compared with \$113.9m. Turnover of the continuing operations amounted to \$29.6m. and generated operating profits of \$1.3m.

Losses per share widened 1.2 cents to 23.2 from

up campaign against Hoskins

THE LEADER of dissident shareholders at Hoskins Brewery, which last week delayed publication of its full year results, has circulated a letter to the company's investors in his campaign to oust the chairman and another director from the board.

The independent brewer of real ales, which is quoted on the USM, said the announcement of its results had been delayed by difficulties in getting required consent for publication from one of the directors who was on holiday in

Cornwall. The results were due out on Friday but are now scheduled for publication

Dissident shareholder steps

The dissident leader, Mr Richard Holman, who holds a 7.4 per cent stake in Hoskins, is the second shareholder in two years to challenge the current board on grounds of its

A separate attempt to remove the Hoar brothers from Hoskins' board collapsed last year when the campaign failed to attract sufficient shareholder support.

Mr Holman, who claims the support of about 40 per cent of sharebolders, has requisitioned a special meeting at which res-olutions will call for his own appointment to the board and the removal of Mr Barrie Hoar as chairman, and his brother Mr Robert Hoar, as a direc-

Mr Barrie Hoar, whose family bolds 30 per cent of the stock, said he and his brother would resign when the compa ny's future is secure: "I hope shareholders will understand the efforts that we have made in repositioning the company so that its future can be safe and sound.

The two had planned to leave the board on the conclusion of a deal with Mr Adam Page, founder of Midsummer

The deal, which involved the injection of some of Mr Page's businesses into Hoskins, has formally lapsed.

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Venezueian Goldfields (Canada)	Lihir project (Papus New Guinee)	Gold mining	£40m	Part of RTZ. disposal plan
MBO team (UK)	Unit of Allergen (US)	Optical gless	927m	Buying inti business
Nippon Sheet Glass (Japan)	Triples: Safuty Glass (LIG.	Glass	£13.3m	Pilkington selling 20%
Ricoh (Japan)/Shanghai Facaimile Machines (China)/ Champion Technology (HIC)	Joint werdure	Office equipment -	E10m	Fex menulacture venture
Fairey (UK)	Luxtrón (US)	Specialist instruments	28.4m	Cash purchase
CWB Capital Partners (UK)	Tactests (Sweden):	Flooring	£285m	Stora non-core disposais
Crystal Oil Co (US)/ Orenburgment Production Associates (Russia)	Joint venture	Cill and ges	nvis	Expected operational by late 1993
IDV (UK)/Vina Conche y Toro (Chile)	Joint venture	Drinks distribution	riAs	IDV building internationally
Queceo Inc (US)	Unit of Royal Duch/Shall (UK/Netherlands)	Lead products	TVÁR	Selling Silling assets
Lagoven (Venezuela)/ Shell/Exxon (US)/	Joint venture :		n/a	Foreign equity returns to

INVITATION TO TENDER

The Hungarian State Property Agency

Announces the sale of shares in the Szeged Clothes Factory Ltd. transformed from Szeged Clothes Factory Co. owned by the state on a public one turn tender for realisation.

We hereby inform those inquiring, that the Szeged Clothes Factory Ltd.'s own capital is 566,229,000 forints, their registered capital is 515,000,000 forints from which 50.1% comes to realisation. For the purchase of the share package, the compensation ticket and E-credit is

available, but the privatisation expense (which comes to 3,000,000 forints) can The bids must be presented to the indicated address in 5 copies and must be

contained in a sealed envelope without the indication of the addressee. The original copy of the tender must be indicated.

The applicants bid must remain valid for 90 days.

The deadline of the arrival of tenders is: October 11, 1993.

The place of presentation:

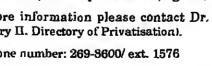
State Property Agency Central Administration Department Budapest XIII. Pozsonyi Str.56. Hungary

The State Property Agency reserves itself the right to declare the tender null and void.

The condition of the presentation of tenders is the purchase of the detailed bid material including the announcement of tender, for 12,000 forints + AFA (TVA) at the Administration Department of the State Property agency under the address: XIII, Pozsonyi Street 56, against a secrecy declaration.

For more information please contact Dr. Istvan Molnar senior counsellor (Industry II. Directory of Privatisation).

Telephone number: 269-8600/ ext. 1576



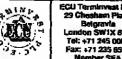
NOTICE OF DIVIDENO PAYMENT AND BOOK CLOSURE NOTICE IS HEREBY OIVEN THAT a livel dividend of 5 sen loss tax and 1 sen tax evering per phane in respect of the year ended 31st March. 1993, which had been approved at the

Golden Hope

Plantations Berhad

Duly completed transfers received by the Company's Branch Registrars, Batclays Registrars, Bourne House, 34 Beckenham Road Beckenhom, Kert BRG 4TU, England up to 5 00 p.m. on 8th October, 1993 and by registered before entitlements to the dendered are By Order of the Sound

Kuala Lumpui 1891 Augusi, 1993







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Weekend FT reaches an

international market of approximately one million readers. Capitalise on the FT's connections to sell your property. For further information on London property advertising in the Weekend FT contact: Emma Stevenson Tel: 071 873 4896 Fax: 071 873 3098



Notice of Redemption

Mortgage Funding Corporation No.5 PLC (Incorporated in England and Wales with limited liability under registered number 02079671)

£110,000,000 Clase A1 Mortgage Backed Floating Rate Notes Due November, 2035

NOTICE IS HEREBY GIVEN to the bolders of the Class Al Notes, that the Issuer has rmined in accordance with the Redemption provisions set out in the Terms and Conditions, the Class A1 Notes in the amount of £7,700,000 will the redeemed on the next interest Payment Date, 31st August, 1993 (the "Redemp-tion Pate"). The Class Al Notes will be redeemed on a pro rate basis and the Principal Payment per Class Al Note will be £7,000. The Principal Payment on each Class Al Note will be made in accor-

dance with the operating pro-cedures of Euroclear and Cedel Bankers Trust Company, London Agent Keh Augur, 1991

ALLIANCE - LEICESTER Alliance & Leicester Building Society £150,000,000 Floating Rate Notes due 1995

Floating Rate Notes due 1995
Is accordance with the provisions of
the Notes, notice is hereby given
that the Rate of Interest for the
three month period ending 11th
November, 1993 has been fixed at
6.8075% per 2nnum. The interest
accruing for such three month
period will be £153.94 per £10,000
Bearer Note, and £1,539.42
per £100,000 Bearer Note, on
11th November, 1993 against presentation of Coupon No. 22.

Union Rendy of Surveysions

Union Bank of Switzerland London Branch Agent Bank 111b August. 1993

> U.S. \$300,000,000 National Westminster Bank

Floring Rate Notes due Fabruary 2001 in secondance with the provisions of the Notes, notice is hereby given that for the Interest Period from August 16, 1993 to February 16, 1994 the Notes will carry an interest rate of 5% per annum. The Interest payable on the relevant 16, 1994 will be U.S. 55,708.33 and U.S. 5256.33 respectivity to Notes in demomnstions of U.S. \$250,000 and U.S. \$10,000. and U.S. \$10,000. Br. Tee Class Manhatten Book, N.A. August 16, 1993

Republic

of Indonesia



State Bank of New South Wales Limited A.C.N. 603 963 226 ·

US\$96,880,000

Extendible Floating Rate Notes 2003 (Previously US\$250,000,000 due 1998) eed by the Government of the State of New South Welest

Notice is hereby given that the rate of interest for the period 16th August 1993 to 16th February 1994 has been fixed at 3.6875% per annum. Interest payable on 16th February 1994 per US\$10,000 note will be US\$188.47 and per US\$100,000 note will be US\$1,884.72.

Agent: Morgan Guaranty Trust Company

JPMorgan

State Bank

£100,000,000 Britannia ilding Society

Floating Rate Notes due February 1996 are accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from August 12, 1993 to November 12, 1993 the Notes will carry an Interest Rate of 6.04583% per artrum. The Interest payable on the relevant Interest payment date, November 12, 1993 will be £152.39 per £10,000 Note and £1,523.89 per £100,000 Note. In accordance with the provisions of the Notes, notice is hereby

U.S. \$500,000,000

(Incorporated in England with limited liability)

Primary Capital FRNs (Series "B")

In accordance with the provisions of the Notes, notice is hereby

given that for the six months interest period from August 16, 1993 to February 16, 1994 the Notes will carry an interest Rate of

3.6875% per annum. The Interest payable on the relevant interest payment date, February 16, 1994 against Coupon No. 18 will be U.S. \$1,884.72 and U.S. \$188.47 respectively for Notes in

denominations of U.S. \$100,000 and U.S. \$10,000.

By: The Chase Marhattan Bank, N.A.

London, Agent Bank

August 16, 1993

By: The Chase Manhattan Bank, N.A. London, Agent Bank August 16, 1993

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European Investment Bank NLG 500,000,000

Floating Rate Bonds 1992 due May 15, 2002 n accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the interest Period from August 16, 1993 to November 15, 1993 the Interest Rate has occu fixed at 5.67 per cent.

The loterest Amounts, payable on November 15, 1993, will be: for the denomination of NLG 10,000: NLG 143,33 for the denomination of NLG 100,000; NLG 1,433.25 for the denomination of NLG 1,000,000: NLG 14,332.50

Rabobank Nederland Utrecht, the Netherlands





Probe into FFr1.2bn bid to take control of Fnac

By Alice Rawsthorn in Paris

THE FUTURE of Fnac, one of France's largest retail groups and the leading force in the music and books market, has been flung into doubt with the announcement of an official investigation into a bid for control of the group.

The Commission Opérations des Bourse (COB), the Paris stock market watchdog, has ordered a formal inquiry into the price of the FFri.2bn (\$198m) bid for a controlling 54.78 per cent stake in Fnac tabled last month by Altus Finances, a subsidiary of the Credit Lyonnais banking group, and Phénix, the property company owned by the Générale des Eaux industrial

By Robert Gibbens

LAURENTIAN Group, the

Canadian financial services

company being merged with

the larger Mouvement Desjar-

dins, reported first-half net

profit of C\$15.8m (US\$12m), or

25 cents a share, up from

\$14.3m, or 23 cents, a year ear-lier, on revenues which were

Second quarter profit was

The group's assets rose to

equal to 12 cents a share, com-

pared with 10 cents last time.

\$15.7bn at June 30, with the

expansion of the Laurentian

increases profits

MAYBANK, Malaysia's biggest

banking group, has announced pre-tax profits for the year to

June 30 of M\$791.5m (\$309m), a

rise of more than 40 per cent,

writes Kieran Cooke in Kuala

The increase reflects the

strong performance of the Malaysian economy, which has

grown by more than 8 per cent

in each of the last five years.

ooe-for-two bonns issue in

order to increase authorised

share capital from M\$1bn to.

35

3

The bank is proposing a

little changed at \$1.4bn.

in Montreal

Altus and Phénix agreed a deal under which they have an option, until October 11, to buy the stake from Garantle Mutuelle des Fonctionnaires (GMF), the financial group that owns 80 per cent of Fnac. At FFr2.928 a share the deal values Fnac at FFr2.4bn.

The option means that GMR. which needs to raise cash to compensate for losses in other businesses, has until October to find alternative capital, should it decide to retain control of Fnac.

Fnac, which owns 40 shops in Europe, made net profits of FFr156m on sales of FFr3.2bn in its last financial year. It dominates tha music and books market in France, where it has been embroiled in a high-profile battle against Vir-

Laurentian ahead at C\$15.8m

The life and general insur-ance units improved their

results sharply. Imperial Life, Laurentian'a

biggest single unit, doubled

first-half profit to \$14.1m, or

\$5.89 a share, on revenues of

\$569m, up from \$561m. With the merger due to be

completed next month, Lauren-

tian and Desjardins will put

their financial services units

into a new holding company to

be minority-held by the public.

including the Desjardins credit

union branches, will have

assets of nearly \$80bn, includ-

It will rank as the sixth-largest

Malaysian bank | Sumitomo Chemical to resume

By Gordon Cramb in Tokyo

SUMPTOMO Chemical, supplier

of most of the epoxy resin used

In making the world's semicon-

ductors, expects to resume pro-

duction around the end of the

year after an explosion last month halted ontput at its

plant in south-western Japan.

· Spot prices for memory chips

soared as a result of the acci-

dent, and the share price of

Nippon Kayaku, the other

main Japanese supplier of the

material, reached new highs

production of epoxy resin

ing funds under manag

The total combined group,

gin, the UK leisure group which is making inroads into French retailing.

GMF'a financial problems were well-publicised and a number of other retail groups. including Pinault-Printemps in France and Bertelsmann of Germany, had expressed interest in Fnac before the announcement of the Altusi Phénix deal.

Mr François Pinault, founder of Pinault Printemps, has since confirmed that he would still be interested in investing in

The Altus/Phénix bid has been put on ice until the COB investigation is completed. A provisional completion date has been set for early September. In the meantime, Fnac's shares will remain suspended.

banking and financial services

· Abitibi-Price, Canada's big-

gest newsprint producer, is

raising between C\$100m and C\$125m with a public offer of

The issue is being underwrit-

ten by a group led hy the bro-kers Nesbitt Thomson, and will

consist of between 8m and 10m

shares priced at C\$12.75 each.

The offer is not being regis-tered in the US.

Proceeds will he used to

repay short-term debt and bol-

ster working capital. Abitihl

already has the lowest debt-equity ratio in the Cana-

dian forest products industry.

last week after it announced that it was increasing capacity.

bring back on stream one of the two production lines at its

factory in Nilhama, wblch

accounted for about 60 per cent

of the world market for epoxy

episode will have no material

impact on its earnings,

although it has declined to

make a forecast for this year

The company slipped into loss

for the first half to June.

Sumitomo Chemical says the

Sumitomo initially expects to

common stock next month.

group in Canada.

snrprising, as Banesto has been making hig provisions and weaker profits from its banks have not been enough to cover losses in the industrial group as Spain has sunk fur-ther into recession. The banking group reported first-half profits earlier this

Group loss

at Banesto

six months

By Peter Bruce in Madrid

BANESTO, the big Spanish

banking group, has reported a consolidated loss of Pta130m

(\$910,000) for the first half of

1993, compared with a group profit of Pta32.7bn in the same

The first-half figures, which

include the Banesto pareot, its

affiliated hanks and its hig

industrial bolding company.

were released two days after

Banesto announced it had

completed a record Pta94bn

The first half figures are not

period last year.

capital increase.

for first

year of Pta5.7hn, down 82.6 per cent on 1992. While the consolidated figares also show that Banesto is having some trouble cootaioing operating costs, the first-half loss is nevertheless a sharp improvement on the Pta2.4hn deficit reported for

Banco Central Hispano made a net profit of Pta39.6hn In the first half of the year, a 6.6 per cent increase on

the first three months of this

The bank said that it had allocated Pta54.6hn to depreciation and provisions, a 46.4 per cent increase on last year.

United Airlines files complaint

UNITED Airlines, the large Chicago-hased carrier, has filed a complaint against the Australian government with the US Department of Transportation, alleging the Australian authorities bave "unlaw-fully restricted" the airline's proposed new New York-Tokyo-Sydney service, writes Nikki Tait in New York.

United has been seeking for several years to fly the north Pacific ronte, a service which, it argues, is permitted under the bilateral aviation agreement between the countries.

Swiss wake up to winds of change

Exchange-rate turmoil has reinforced traditional safe-haven status

HE SWISS, according to a joke they like to tell against themselves, get up early but they wake up late. The big three Swiss commercial banks - Union Bank of Switzerland (UBS), Credit Suisse and Swiss Bank Corporation (SBC) - were among the slowest to wake up to the liberalising winds that swept through the world banking industry in the 1980s.

Comfortable in their protected home market, they were content to make modest returns on their exceptionally

strong capital bases.
But the revelation by UBS last Thursday of first half consolidated net income of SFr1.29hn (\$845m) - 40 per cent of it coming from overseas operations - indicates that they are now wide awake and among the world's more profitable commercial banks, as well as the soundest.

Credit Suisse will report its first-half result on Wednesday and SBC on September 2. Both are expected to reveal profit growth similar to the 89 per cent surge at UBS.

The transformation at these hanks dates from about two years ago, when their traditionally dependable profit streams were coming under increasing threat and the need to cut costs and develop new sources of income became

In Switzerland, they were forced to hreak up the pacts by which they long shared domi-nant positions in the lush domestic securities markets. And with the eod of the cold war and the stabilisation of west European currencies, it looked as if the country's role as a safe haven for capital was becoming obsolete. Meanwhile, a deepening domestic recession was exposing the excessive commercial hanking capacity in the Swiss market.

Like the Japanese, the Swiss take a long time to get moving, but once they do, they tend to move quickly. In the past couple of years, more than 60 banks have disappeared, and CS Holding, the parent company of Credit Suisse, virtually completed the process of domestic rationalisation io April with its SFr1.6bn acquisition of Swiss Volksbank.

Abroad, the three turned equally decisive. In 1991, after seven years of struggle, UBS finally began to see some profits from its acquisition of franc rate bas plunged to 4.5 Phillips & Drew in London. per cent.

banks, reports Ian Rodger

Coincidentally, Credit Suisse was hailing out its First Boston investment banking subsidiary in New York and SBC was forming what has turned out to be a highly profitable alliance with O'Connor, the Chicago derivatives partnership.

While banks in other European countries are only beginning to be able to widen their spreads. Swiss banks have been doing so for nearly a year. In its typically cautious way. UBS managed to hide

much of the positive impact. Once content with modest returns from their protected home market, SBC, UBS and Credit Suisse are now among the world's most profitable

By the first half of this year, these efforts were paying off handsomely, as the UBS results show. But the Swiss

bave also been very lucky. Fiscal troubles in Germany. political upheaval in Italy, explosions within the European exchange rate mechanism this is the stuff on which safe havens thrive. Since last summer, huge sums of money have poured into Swiss banks mainly from Germany and Italy, but also from other European countries.

This enabled the Swiss National Bank to start lowering interest rates long before its counterparts in other continental European countries. From a peak of more than 9 per cent in May of last year. the three-month Euro-Swiss

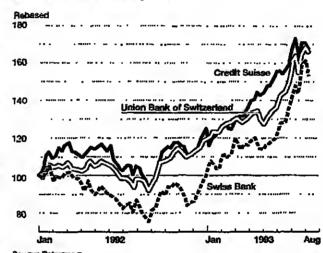
recording only a modest 10.9 per cent gain in net interest income in the first half.

(UBS raised its bad loan provisions in the first balf by SFr265m, rather more than the SFr188m by which it raised its net interest income. For a bank that was shrewd enough to avoid any exposure to Robert Maxwell, Polly Peck and Olympia & York, this performance is, to say the least, implausi-

But the main contributor to the UBS profit gain was trading. The bank's profits from securities and foreign exchange trading soared by 144 per cent in the first half to SFr1.55bn, due to an extraordioary combination of positive forces.

Foreign exchange markets

Swiss bank share prices



continued to be active in the first balf, as the yen rose against the dollar and various European currencies were under pressure against the D-Mark.

Bond markets have risen and the London stock market, where UBS is a leading participant, was also buoyant. The Swiss stock market has been a spectacular performer, with a 26 per cent advance in the all share Swiss Performance Index since the beginning of the

Analysts were fulsome in

their praise for UBS. A couple

worried about the excessive contribution of volatile trading income to profits, but Mr Derek Bullman of London broker James Capel said any reduction in trading income in the near future would be offset by continued recovery in other operations and reduced provisions. "I am not worried about the bottom line at all," he said. Analysts are also confident that Credit Suisse and SBC have benefited from the same factors that lifted the UBS result. "Credit Suisse has already been getting a larger portion of its earnings from securities and commissions than the other two," Mr Hans Kaufmann, head of Swiss brokerage research at Bank Julius Baer in Zurich, pointed out.

However, special factors make it difficult to estimate the results from both. Credit Suisse figures will include for the first time the activities of Swiss Volksbank, and no one knows how rationalisation costs or the roughly SFr400m of "badwill" acquired as a result of paying less than book value will be treated.

SBC profits should show the highest growth rate, but only because they will be compared with an exceptionally poor first half of 1992. Net income from operations plunged 30 per cent to SFr758m then, mainly because of the costs of reorgan ising the group's Swiss private banking subsidiaries and of integrating O'Connor. The shares of all three banks

have performed extremely well this year, and analysts, while still confident of further profit growth, are becoming cautious about recommending them. They are not yet overvalued, but they will probably have a bit of a pause," predicted Mr Daniel Koenig, banking analyst at Pictet in Geneva.

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With effect from 5.00 p.m. in London on 27 September 1993 the With effect from 5.00 p.m. in London on 27 September 1993 the addresses of the Registrar and the Paying and Conversion Agents

REGISTRAR, PRINCIPAL PAYING AGENT AND PRINCIPAL CONVERSION AGENT The Chase Manhattan Bank, N.A. Woolgale House, Coleman Street London EC2P 2HD

PAYING AGENTS AND CONVERSION AGENTS Swiss Bank Corporation 1 Aeschenvorstadt CH-4002 Basie Chase Manhattan Bank Luxembourg S.A. 5 Rue Plaetis L-2338 Luxembourg Luxembourg-Grund

Issued by: Tesco Capital Limited and Tesco PLC Date: 13 August, 1993

The Hungarian State Property Agency

Announces the sale of shares in the First Hungarian Hemp Industry Ltd. transformed from Szeged Hemp Factory Co. owned by the state on a public one turn tender for realisation.

We hereby inform those inquiring, that the First Hungarian Hemp Industry Ltd.'s own capital is 779,693,000 forints, their registered capital is 373,650,000 forints from which 50.1% comes to realisation.

For the purchase of the share package, the compensation ticket and E-credit is available, but the privatisation expense (which comes to 3,000,000 forints) can

The bids must be presented to the indicated address in 5 copies and must be contained in a sealed envelope without the indication of the addressee. The original copy of the tender must be indicated.

The applicants bid must remain valid for 90 days.

The deadline of the arrival of tenders is: September 30, 1993.

State Property Agency Central Administration Department Budapest XIII. Pozsonyi Str.56.

The State Property Agency reserves itself tha right to declare the tender null

The condition of the presentation of tenders is the purchase of the detailed bid material including the announcement of tender, for 12,000 forints + AFA (TVA) at the Administration Department of the State Property agency under the address: XIII, Pozsonyi Street 56, against a secrecy declaration.

For more information please contact Dr. Iatvan Molnar senior counsellor (Industry II. Directory of Privatisatinn).

Telephone number: 269-8600/ ext. 1576

INVITATION TO TENDER

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The place of presentation:

Hungary

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SPA Hungarian State Property Agency

offers for sale the state-owned shares in **HEAVYTEX** New-Szeged Textile Co. in an open one-round competition

We hereby inform those inquiring, that the HEAVYTEX New-Szeged Textile Co's own capital is 620,068,000 forints, their registered capital is 450,000,000 forints from which 50.1% comes to realisation.

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The offer must be made hinding upon the hidder for 90 days.

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up to the

30th September 1993

in sealed envelopes bearing no mark or indication of the sender.

SPA reserves the right to declare the competition unsuccessful.

As a prerequiaite condition the Tender Specification including detailed information must be purchased. It is available against HUF 12,000 + AFA (TVA) and a Trade Secret Liability Declaration at Allami Vagyonügynökaég, Information Service, Budapest XIII. Pozsonyi u. 56.

Senior counsellor Dr. Istvan Molnár of the Privatisation Department IPAR II ahall be glad to oblige with further details over Phone No. [36-1] 269-8600 / extension 1576

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Interest Period: August 12, 1993 to February 13, 1994 (196 days)
Interest Rate: Coupon Amount: US\$ 994.58 per US\$ 50,000 Note Payment Date: February 14, 1994

Frankfurt/Main, August 1993 COMMERZBANK &

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Yields continue to fall towards 6%

THESE ARE the best of times for US bond market investors. It is difficult to imagine how conditions could be much more favourable to holders of government securities.

Inflationary pressures are almost totally absent from the economy. Because of that, monetary policy is on hold with interest rates near record

The Federal Reserve's policymaking Open Market Committee meets later this week and the expectations on Wall Street are that the FOMC will vote to keep the bias of policy neither inclined to an easing nor to a tightening.

Inflation will probably stay low because the economy is growing so slowly. Recent economic data bave painted a picture of an economy still strug-gling to break out of its

After a short burst of growth in the final quarter of last year, output has dropped significantly this year, and there is little sign that the economy will pick up until at least next

Supply conditions favour the long end of the market. Just over \$11bn in 30-year securities were sold at auction last week, but because of the Treasury's decision earlier this year to try to lower the cost of financing the federal deficit by cutting the supply of bonds and shortening the maturity of the national debt, the final bond auction of 1993 is already out of the way with only two-thirds of the year completed.

The political environment is also favourable to bonds. President Bill Clinton's first budget was passed by Congress 10 days ago, and in spite of its tax increases, it was warmly welcomed by fixed-income

This is primarily because most bond economists expect the deficit-reduction package to slow economic growth over the next year or so. Also, the bond market likes the budget because it is regarded as the first ettempt (albeit a flawed one) by a modern US administration to tackle the buge fed-

Even the foreign exchange

markets have been boosting bond prices, although only indirectly. Recent turmoil within the European exchange rate mechanism and cuts in interest rates across Europe sent investors scurrying into When foreign investors seek the security of dollar assets, many buy US government

It should be no surprise, therefore, to see bond yields at historic lows. As of Friday afternoon, the yield on the benchmark 30-year issue had dropped to 6.34 per cent, the lowest since 1971. This is all the more remarkable considering less than three months ago bond yields were at 7 per cent and rising.

The market's rally bas stunned economists. In the Wall Street Journal's survey of forecasts last December, no less than 44 top economists predicted that long yields would be at 7.44 per cent by the end of June this year. That they were more than 100 basis points out is mostly due to their failure to forecast

the end of the year are not out of the question. Patrick Harverson

economic growth accurately.

At the end of last year the

economy was growing at a

healthy pace, and economists were forecasting continued

strong growth, resurgent infla-tion, and a tighter monetary

They were wrong on all

three counts, because the strong growth recorded during

the final quarter of 1992 proved

to be a temporary blip on the screen - a short, unsustainable

burst of economic activity tied

as much to the election of a

new president as it was to any

fundamental improvement in

consumer and corporate senti-

If inflation remains as subdued

as it is now ("core" consumer

and producer prices both rose

a meagre 0.1 per cent in July), if monetary policy remains on hold, and if the Clinton budget

has a dampening effect on eco-

nomic activity, then bond

yields of below 6 per cent by

How far can bond yields fall?

Inflation forecasts boost prices

DRIVEN by more signs of easing inflationary pressures, gilts continued their recent rise, helped by a generally opti-mistic assessment by the Bank of England about future price

Yields of gilts at the 10-year maturity fell by about 20 basis points on the week to be quoted on Friday night at about 6.9 per cent.
The decline at the longer end

of the yield curve was even greater, partly as a result of the announcement by the Bank on Friday that there would be no gilt auction at the end of this month.

That statement followed from the good progress by Threadneedle Street in selling bonds to cover the expected 250bn public sector borrowing requirement this financial

Just four and e balf months into the year the Bank has accounted for nearly 60 per cent of deficit by selling about £29bn worth of gilts.

With the summer holidays in full swing, it is no wonder that Bank officials calculated they could take a rest from new gilt auctions, which recently have been beld at the rate of one a

The Bank's announcement, which came at the end of a week in which it sold more than £1.5bn of gilts through taps, triggered spiralling prices at the long end of the yield curve, leaving long-dated gilts

Sentiment about gilts was helped earlier in the week by the Bank's latest inflation Treasury's favoured measure of underlying inflation is unlikely to breach the govern-

next two years. This measure defines underlying inflation as the year-on-year rise in the retail prices index excluding mortgage payments. The generally positive views

ment's 4 per cent ceiling in the

about price pressures came in a comprehensive Bank study which discussed more than 28 ways of measuring inflation. The report said: "Many goods prices are rising more slowly than three months ago, and inflation in the service sec-tor has fallen considerably."

The view that price pressures are likely to stay muted was supported by news that manufacturing wages and sala-ries per unit of output were 3 per cent lower in the three months to June than they were in the same three months a year ago. This figure compares with a fall of 3.4 per cent in the three months to May.

In addition, average earnings growth across the economy slowed to an underlying 3.5 per cent in the year to June, the lowest figure for 25 years and a quarter of a percentage point lower than the figure for the 12 months to May.

Restated at par (%) 7.5

Aug 13, 1993 6.0

years 20 · 25

While encouraged by these findings, gilt investors also warmed to the tone of other UK economic data last week pointing to a slowing in the pace of the recovery in manufacturing.

0 5

Significant manufacturing and export growth in the first half of the year has been the driving force behind the signs of economic revival after the long recession.

However, gilt investors would like to see a deceleration in the recovery profile, on the grounds that this would be less likely to stimulate inflationary pressures.

On this basis, the announce ment that manufacturing output in June dropped by 2.1 per cent compared with May was greeted enthusiastically by many gilt market participants This was the sharpest

monthly drop since February Even though the June figure partly compensated for a big

increase in output in May, it underlined the belief that man-ufacturers are unlikely to see the favourable trading condi-tions that they enjoyed in the first half of 1993 replicated in the second half. This is partly because of a slowdown in important export markets in

continental Europe.

A survey conducted jointly by the Confederation of British Industry and Business Strate-gies, a consultancy, said that manufacturing order books in six out of the 11 UK regions were in a weaker position in July than three months earlier. This supported the gloomier tone of prognostications about the sector's outlook. The level of orders in north

ern and north-west England. the south-east, west Midlands, Wales and Northern Ireland were all worse in the current survey compared with three months earlier.

However, the levels of output volumes fell over the sama period only in four regions the south-east, south-west, north-west and Wales.

The survey said that inflationary pressures across the country were subdued, while the best prospects for manufacturing were in the west Midlands and Scotland.

Peter Marsh

JAPANESE BONDS

Hopes of recovery fade as yen rises

has brushed aside uncertainty over economic policy of the country's new government, which took office last week, and has instead focused on further evidence of a weaker economy, driving long-term interest rates down to five-month lows.

The yield on the No 145 10-year benchmark fell to 3.995 per cent - the first time since March 19 that it had fallen below 4 per cent - before closing the week at 4.08 per cent.

Hopes of an imminent recovery have faded as the economy faces an increasing number of stumbling blocks. Aside from continuing sluggishness in corporate activities, consumer spending has been hit by bad summer weather, and the yen's rise to record levels threatens

to strangle exports. The ratio of job offers to applicants fell to 74:100 in June, down from 81:100. Industrial production declined by 5.1 per cent from the previous year, falling for the 21st consecutive month, while machin-

THE JAPANESE bond market ery orders fell again for the 15th successive month, a down 13.3 per cent.

The unusually long rainy season and cool summer have depressed sales of air conditloners, clothing and beer, which usually rise during the summer. Even if the weather improves, retailers do not expect a rapid recovery to make up for the earlier losses.

The yen has appreciated 21.5 per cent from the beginning of the year, closing the week in Tokyo at a record Y102.40 to the dollar. Traders said the trade surplus, which rose 28 per cent in July, was the lead-ing cause, while speculation of political pressure from the US is also driving the yen higher. Such factors, along with the Bank of Japan's unexpected easy stance over its money market operations last week,

have heightened hopes of monetary easing. The central bank allowed three-month certificate of deposit yields to fall to 3.1 per cent on Friday, down from 3.23

week. The overnight call rate, which is closely controlled by the BoJ's money market operations, fell through a perceived floor of 3.2 per cent to

3.18 per cent. Concerns over extra supply due to redemptions of equity-linked bonds have also been put aside. According to the Bank for International Settlements, equity-linked bond redemptions peaked during the April-June quarter, totalling \$26.5bn. The BIS said many corporate issuers raised funds during the first quarter, leading to a decline in bond placements in the second quarter.

Meanwhile, some analysts see the pessimism over recovery as overstated, since the widely-expected cut in the official discount rate will help a gradual recovery, Moreover, although bad weather may postpone a rise in consumption, it does not cancel it.

Mr Geoffrey Barker, economist at Baring Securities in Tokyo, points out that the yen

per cent at the start of the is in "overshoot territory" since, in yen terms, the trade surplus has peaked and bas started to decline. Using the correlation between the yen-based trade surplus and long bond yields, he predicts that the coming two months is the last leg of a three-year decline

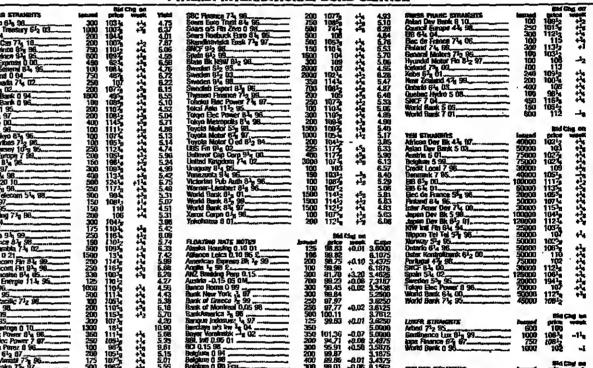
in interest rates

While the US dollar-based trade surplus has been rising, on a yen basis it has peaked and has been falling month on month since spring. Since a fall in the trade surplus means an increase in the outflow of funds, this eventually leads to a gradual rise in interest rates. Long-term interest rates lag about six months behind the yen-based trade surplus, and the yield on the benchmark

may be close to a bottom. Mr Barker predicts that the yield on the No 145 benchmark still has room to fall to the 3.8 per cent level, reached earlier this year, and advises taking profits around that level.

Emiko Terazono

Abb mil Pio 6-1, 98.
Abb mil Pio 6-1, 98.
Abb mil Pio 6-1, 98.
Abb 1-1, 94.
Actua Life Cas 7-1, 18.
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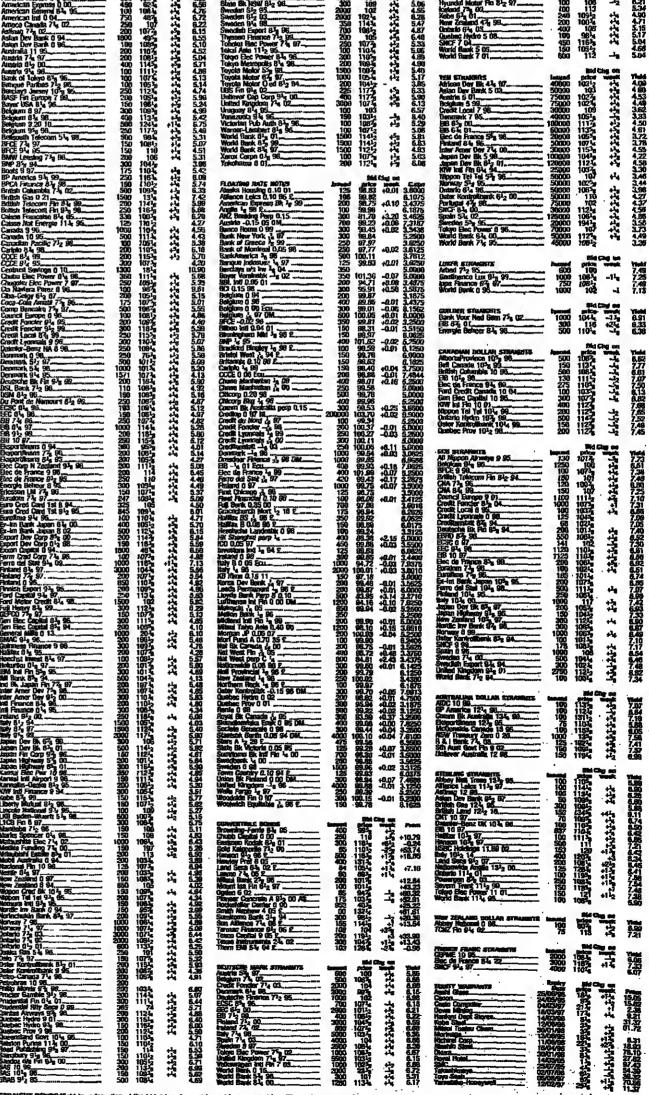
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JULY 2, 1993



INTERNATIONAL BONDS

Denmark deal highlights progress of Switzerland

markets, ranging from cutting turn-

over tax to relaxing syndication

The impact of the measures has

been to reduce dramatically the cost

to both the issuer and investor. This

in turn has made the foreign sector

much cheaper than the domestic

market, hence increasing volume

Total new issue volume in the

Swiss bond market in 1993 to date

has been SFr23.3bn, compared with

a total of SFr26.1hn for the whole of

The turbulence in the European

exchange rate mechanism has also

NEW INTERNATIONAL BOND ISSUES

Воприн

Kingdom of Sweden(o) General Bectric Capt.Corp.(s)

Primary ind Bank of Australia

Finance for Danish Industry Oerasundsforbindelsen

HONG KONG DOLLARS

Sakurada Co.(b)+0 Deutsche Finance(Neths)(c)+0

Inti. Finance Corp.(p)

Aderens Co.(e)+0 Abbey Nati,Treesury S

Kingdom of Denmark

SWISS FRANCS

AUSTRALIAN DOLLARS

DANISH KRONER

ECUS

THE LAUNCH last week of a SPribn Eurobond issue by the Kingdom of Denmark has highlighted the steady progression of Switzer-land from a bond market dominated by retail investors into one which can satisfy the requirements of large borrowers and institutional

Denmark's six-year offering, which rivalled the record for a single Swiss bond transaction set by the Republic of Austria at the end of June, came as a surprise to the

The kingdom, which has been borrowing heavily to replenish foreign exchange reserves depleted by the heavy currency intervention to restore stability to the European exchange rate mechanism, had been expected to opt for the more liquid French franc sector.

The two hig sovereign deals have encouraged syndicate managers at the Swiss hanks, especially since they have been making a concerted effort to convince international borrowers that the Swiss bond market is capable of accommodating large bond issues.

Another feather in their cap is the SFr600m, 10-year offering from the Inter-American Development Bank which was launched in July. The syndicate managers are confi-

100 50

500

50bn 5bn

Sep.1997 Sep.1998 Sep.1998

Aug 1998 Dec 1998 .

Dec.1997

3.55

Jul-2005 (f) Sep-2003 5.75#

US DOLLARS

STERLING

FRENCH FRANCS

CCF (Luxembourg)():

CANADIAN DOLLARS

Trans Coemos(a) © Continental Bank Corp.(g):

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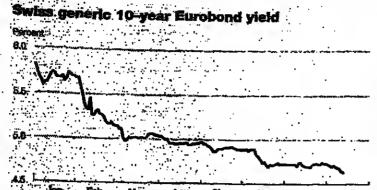
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dent that it will only be a matter of time before "the right issuer at the right price" can push the record for a single transaction in the Swiss

bond market up to SFr1.25bn. The Swiss bond market is receptive to excellent names," says one

The market anticipates that several more sovereign and supranational borrowers will tap the mar-

ket in the coming weeks.

Certainly, the Swiss banks' marketing campaign has been helped by a series of measures by the govern-

ment and the Swiss National Bank in the last year to liberalise capital

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uge in the relative safety of the Although the foreign money did

not necessarily go into the hond market, bankers said the inflow had a positive impact on the market's liquidity.

The currency's consequent appreciation has increased expectations of lower interest rates in Switzerland, which in turn has resulted in a significant drop in bond yields. Some economists expect Swiss short-term rates to fall to 4 per cent by the end of the year from their current level of around 4.55 per

UBS, which arranged Denmark's offering, is particularly positive on interest rates and its stance is reflected in the pricing of the boods. They carry a coupon of 4.25 per cent, which compares with a coupoo of 4.5 per cent on Austria's bonds which have a 614 year matu-

Inevitably, this has prompted some criticism in the market, especially among those who believe that Swiss interest rates have reached a plateau and that the Danish offering was unrealistically

"The pricing is anticipating a fall

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worked in the favour of the Swiss in interest rates well in advance bond market, as investors took ref- of the event," one banker said. Officials at UBS reject this criticism and say they are confident that the entire issue will be placed by the payment date on September 30, and that by then its yield will

look more attractive. Irrespective of when the next interest rate cut will occur, investors are increasingly taking the view that Swiss interest rates are

close to their floor. Therefore most of the recent issues do not have a maturity of more than seven years. "Investors believe that interest rates will be higher in four or five years," one banker said.

In soite of their recent achieve ments, bowever, Swiss syndicate managers are careful not to get too carried away.

They note that the recent spate of offerings, and the prospect of some more large deals in the pipeline, has prompted some concern of over-supply in the primary market.

Furthermore, the syndicate managers report that investors have been switching out of the Swiss bood market and into other higheryielding markets elsewhere in

Antonia Sharpe

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beginning of this month? And why

has it come at a time when most analysts have decided that inflation against which gold is often used as a hedge, is less of a problem than they had thought?

However, there does seem to be demand for the warrants, both among continental European retail investors and some institutions. Investors tend to buy warrants -

but are not firmly convinced, warrants offer an attractive alternative. They also allow investors to take a view on the market using only a small investment and maximising the amount of leverage.

One analyst said that some inves-

RISK AND REWARD

Spate of call-warrant issues as gold loses some of its lustre



The decline in the price of gold in recent weeks has coincided with a spate of issues of gold warrants hy banks. Most bave been call warrants, allowing holders to

buy gold at a pre-determined price. Essentially, call warrants are attractive to investors with a hullish view on the gold market.

Deutsche Bank, Swiss Bank Corporatioo, Union Bank of Switzerland and Credit Suisse Financial Products are among the houses to have issued one or more series of

warrants in the past two weeks. So why has heavy issuance of warrants coincided with the market's decline, after the price of gold rallied from around \$330 at the start of the year to just over \$400 at the

The cynical answer is that the hanks which issued (or wrote) the warrants felt that the rally was over and they stood to earn handsome returns by writing warrants without hedging their positions.

which are essentially long-dated options - when they are less sure of their view on the market. An investor holding a call warrant stands to lose the cost of the warrant - or premium - if the market moves the wrong way, but an outright nurchase of gold leaves an investor with potentially unlimited exposure if the market collapses.

Consequently, for investors who still believe gold could rally further,

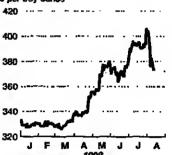
tors with hond portfolios had bought gold warrants as a hedge against inflation. There is a growing wave of opinion that inflation in the most developed economies is

likely to remain low, and many investors have positioned themselves hy taking large positions in the bond market. However, a hedge against inflation could prove a useful insurance policy if their expectations are disappointed.

Institutions may prefer to huy over-the-counter options on gold. rather than warrants, hecause OTC options can be structured to suit their needs. But the advantage of warrants is that they can be traded, since the hanks that issue them are committed to making a market.

Gold warrants can therefore be an attractive tool for taking a speculative position that the gold market will rally. A oumber of analysts are still quite positive on the prospects

Gold price



for gold. "Our view is that this pullback is a bit greater than we would have thought, but it is not unexpected," said Mr Michael Coulson, at Crédit Lyonnais.

There are still reasons to believe that the market's potential is capped by factors such as potential selling by central banks, which need to shore up their foreign exchange reserves. Further, the inflation potential of OECD countries is indeed restrained.

But gold is one of the most international markets, and active buyers can be found in countries where there are substantial fears about the inflationary outlook, in OECD countries, some analysts believe low interest rates will encourage investment in commodities, since investors are sacrificing only a small loss of income hy buying gold.

Tracy Corrigan

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London, 27 September 1993

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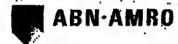
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July 1993

Barclays de Zoete Wedd was lead manager to British Gas International Finance, B.V. in the issue of US\$250,000,000 6.25 per cent guaranteed bonds due 2003.



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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS Focus on the franc

in the wake of the recent furmoil in the exchange rate mechanism, dealers will look for more pressure on the granc and the Danish in the particularly bad.

The wake of the recent figures for June, due out the same day, could also depress the franc if they are particularly bad.

Dealers will also look closely

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On Friday both currencies were subjected to a new bout of selling against the D Mark, with the French currency dropping to its lowest London close.

Trance's weekly foreign exchange reserve figures on Thursday to see whether the central bank has restored them since the widening of the ERM's fluctuation bands. with the French currency drop-ping to its lowest London close against the D-Mark. The Dan-ish krone also fell sharply, ending more than 8.5 percentage points lower than the D-Mark in the ERM grid.

UK clearing bank base tending rate 6 per cent from January 26, 1993

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

80.0 66.1 92.0 114.1 111.9 109.5 124.0 112.1 118.9 104.1 79.7 192.5 84.3

U.S. TREASURY BORDS (CRT) 8% 9100,000 32nds of 100%

(MON) ELMS VANSASST , 2.U

| 100% | 100% | 116-06 | 116-16 | 115-19 | 115-31 | 116-06 | 116-16 | 115-19 | 115-31 | 115-01 | 115-01 | 116-06 | 116-12 | 116-06 | 116-12 | 116-06 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-07 | 116-0

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80.4 80.4 80.4 80.5 80.5 80.5 80.6 80.8 80.0

-28.42 -11.40 -9.61 +16.07 -2.09 +4.36 +31.75 +21.02 -10.40 -34.46 +138.18 -35.55

Aug 13

Sterling
U.S Dollar
U.S Dollar
Carsellan Dollar
Austrian Schilling
Belgian Franc
Dallarik
None
D-Harrik
Swise Franc
Duckt Guidder
French Franc
Lira
Yen
Pagets

CHICAGO

Strike Price 1.425 1.450 1.475 1.500 1.525 1.550 1.575

3.31 0.91 0.01

Previous Close

krone this week, writes James at France's weekly foreign ERM's fluctuation bands. In Germany, the M3 money

supply figures for July are due at the end of the week and these will indicate how big a monetary overhang there is after tha Bundesbank's intervention in currency markets. Economists markets. Economists at Paribas Capital Markets anticipate a rise to 8.2 per cent

Many currency dealers are certain the franc is heading for the FFr2.60 level against the D-Mark. The big question is whether it will get thare sooner rather than later.

Dealers will wait to see what the Bank of France does to interest rate policy in its money market operations today and on Thursday. The country's industrial production anticipate a rise to 8.2 per cent from 7.0 per cent in June. In the UK, attention will focus on prospects for another cut in interest rates. The Retail Prices Index, due on Wednasday, will revaal whether there are further inflationary pressures in the economy. The UK's visible trade figures, due on Friday, will indicate whether exports have been adversely affected by the pound's recent strength.

OTHER CURRENCIES

Aug 13 P S S Augustins 1.4825 - 1.4840 0.5890 - 1.0000 Augustins 2.1560 - 2.1565 1.4720 - 1.4720 1.4720 Brush 115.390 - 115.3700 Augustins 2.1560 - 2.1565 1.4720 - 1.4720 1.4720 Brush 115.390 - 115.3700 Augustins 2.5940 Brush 115.390 - 355.500 2.5940 Brush 115.390 - 355.500 2.5940 Brush 115.390 - 355.500 2.5940 Brush 115.390 - 2855.00 1.590.00 1.590.00 Brush 115.390 - 2855.00 1.550.00 1.590.00 Brush 115.390 - 24.590 - 2.4560 2.300.30 - 30.55 3.6.55 Brush 115.390 - 4.5820 3.1140 - 3.1160 Brush 115.390 Brush 115.390 Brush 115.390 Brush 115.390 Brush 115.390 Br

CURRENCY RATES

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| Title | Titl

Close High Low Prev. 0.5828 0.5840 0.5808 0.5812 0.5780 0.5788 0.5700 0.5786 0.5747 0.5765 0.5735 0.5734 0.5724 0.5712

0ct 1.87 2.69 4.11 5.84 7.74 9.91 12.20

DEUTSCHE MARK (DAN) OM125,000 \$ per OM

0.03 1.50 3.92 6.42 8.90 11.40

Burk \$ Special | European case Unaving Currency % Fights Link

Aug 13	Spread Spread	Close	One month	P.	Tires sterring	94
US	1.4550 • 1,4835	1.4590 • 1.4800	0.36-0.34cpm	2.88	0.99-0.96om	1 2
Connects	1.9135 - 1.8300	1.9150 - 1.9185	0.19-0 Ofcom	0.78	0.51-0.25cm	8,
October	28075 · 28335	28075 - 28175	A-Jacobs	-133	4-1-05	-0
Capani	53.25 - 63.95	53.30 - 53.40	20-31sds	-5.74	40-59/5	-3
letersark	103155 - 10.4205	10.3175 - 10.3275	518-77gorade	-7.55	124-165-000	-5
	1.0690 1.0795	1.0720 • 1.0730	0.08-0.12034	-1.12	0.19-0 2866	-0
ermany		2.4950 - 2.5000	In le Ditties	-1.20	3, 5,000	-0.
ortogal	256.30 - 259.05	258.30 - 257.30	90-137cms	-5.40	293-371ds	-5
PERS	208.85 - 200.35	207.35 - 207.65	94-113cds	-5.39	249-27500	-5
4		2369.25 - 2370.25	6-86reca	-3 54	19-21/36	-3
OPHIN	10.8850 - 10.9645	10,8925 - 10,9025	4-Years	0.69	14-1-1000	Đ.
TROCK	8.8165 - 8,9110	8.8325 · 8.8425	24-3422	4 07	45-55-003	-2
WHICH		11,8200 - 11,9300	14-3400s	-2.45	41.649	-1
TO	148.75 - 150.50	148.75 - 149.75	La-la Jism	3.02	11g-1pm	2
	17.56 - 17.70	17.58 - 17.91	4-21290000	-1.11	7.5405	-0
oizelex .	22225 - 22380	22725 - 22325	Se Septe	1.35	3-5-000	1
ca	1.3090 - 1.3230	1.3090 • 1.3100	0.30-0.34ems	-233	0.59-0.6669	-13

		AR SPOT - FORWAI		_		
Aug 12	storeed.	Cless	Date month	84	Three months	102
t	1.4550 - 1.4605	1.4590 - 1.4800	0.35-0.34mm	2.85	0.99-0.96em	26
int)	1.3555 - 1.3680	1.3620 - 1.3630	0.50-0.45com	4.18	1.28-1.20cm	36
4	1,3090 - 1,3170	1.3145 - 1.3155	0.20-0.20cder	-210	0.55-0 70ds	-1.90
mertanes .	1.9240 - 1.9325	1,9260 - 1,9270	0.58-0.88cd.a	-149	154 16968	-32
gion	36.50 - 36.75	36,55 - 36.65	26-31cd a	-434	55-70ds	-65
Deark	7.0525 - 7.1015	7.0700 - 7.07SD	5.00-7.50cred is	-10.6	13.00-15.00ds	-7.5
Dairy	1,7075 - 1,7160	1.7100 - 1.7110	0.53-0.54m/kg	-3.75	1.45-1.4760	-34
POR	178.50 - 176.70	178.53 · 176.65	130-136ccds	-8.04	355-380da	83
	141.70 - 142.60	14205 - 14215	102-106cuth	-8.78	275-278da	-7.7
·	1615.00 - 1851.25	1623.50 - 1624.00	8.60-9.10breds	-6.81	74.90-25.20ds	-6 r
WWY	7.4490 - 7.4900	7.4650 - 7.4700	1.50-1.80ort-da	-2.85	4 40-4,80ds	-24
AC4	8.0150 - 6.0795	6.0525 - 6.0575	133-15% de	-6.85	7.30-7.70ds	-1.95
rebr	8.1040 - 8.2770	8.1675 - 8.1725	3.40-3.50oreda	-5.29	8 80-9 J0ds	4.4
20	102.18 - 102.85	10215 - 10225	O DTYPOU-per	0.00	0.07-0.05cm	623
tre	12.0200 - 12.0530	12.0230 - 12.0280	3.70-4.60g radia	4.14	10.00-12.00sts	JE
t	1.5170 - 1.5310	1.5260 - 1.5270	0.20-0.23cc	-1.50	0 53-0 59ds	-1.47
T	1.1070 - 1.1140	1.1095 - 1.1105	0.52-0.5 fcpm	5.57	1.23-1.21pm	44

	EXCHANGE CROSS RATES											
Aug 13	2		DM	Yen	F fr.	S Fr.	# FL	Lira	CS	9 Fr.	Pta.	6cu
3	1	1.480	2.498	149.3	8,838	2.225	2.813	2370	1.918	53.35	207.5	1.310
	.665	-	1.711	102.3	6 053	1.526	1.927	1623	1.312	36.54	142.1	0.897
	.400 808	0.584 9.779	40.00	59.77	2,538	0.862	7.125	943.8	0.787	21,38	63.07	0.524
	131		18.72	1000.	59.20	14.92	18.84	15874	12.53	357.3	1390	8.774
	449	1,652	2,626	168.9	18.	2.521	3.183	2682	2.168	80.36	234.0	1,4%
	35	0.519	1,121	67.01	3.967	_1_	1.263	1064	0.860	23.95	93.13	0.586
	422	0.516	1.054	53.02	3.142	0.792	- !	842.5	0.681	18.97	73.78	0 465
	522	0.752	1.304	2700	3.729	0.940	1.187	1000.	0.808	22.51	87.55	0.55
	874	2.737	4.652	77.92	4.813	1.163	1.468	1237	. 1	27.84	108.3	0.534
	482	0.704	1,204	279.9 71.95	18.57	4.178		4442	3.501	100	368.6	2.455
	783	1.118	1.907	1140	4.259 9.747	1.074		1142	0.923	25.71	100.	0.631
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Aug 13	Short	7 Days notice	Gre Month	Three Mosths	Sir	One Year
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term Eurodolinas 4 per ceut soci	the years 4/2-	LA per cent the	to years 41-45 t US Dafer and	per cost, four	pears 54-3 per	cent for your

.00 a.m. Ang 131	3 months US dollars	8 months US Dollars						
bld 31g	offer 314	6td 3 ³ g	ofter 312					

	MONEY RATES													
April Prime rate Broker lose rate Fed binds	Treesury 8#% and Bonds													
	5	5 · Stx month 3.21 10-year 5.71 3 One year 63:												
Fed.funds at Interven	Overment.	One Month	Two Months	Tivred Months	Site Months	Limberd Intervention 7.75 8.75								
Frenschurt. Parist Zunich Ampstercium Toloyo	8.89-8.75 8 ¹ 4-9 ³ 8 4 ¹ 4-5 6.75-6.81 3 ² 4-3 ¹ 4	8.80-8.75 9.05-9.45 43-43 8.75-8.85 912-974	8.60-8.70	8.45-6.55 7.85-8.25 4.3-413 6.45-6.55	6.25-5.40									

Aug 13	Oversight	7 dzys notice	Month	HANNEN	Sh. Months	On Yea	
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Local Authority Days	55,	ō	0_	57	58	5,7	
Local Astrocky Bonds	- 1	जंग	-	-	-	- 2	
Discount Mild Deps	. 55	572	-	-	- 1	-	
Company Deposits	1 - 1	-	-	-	- 1	-	
Finance House Deposits .	.) - 1	_	57	- 355 - 3555	514447 H	5,7	
Treasury Bles (Boy)	J - 1	_	814	54	8 %	-	
Brank Colle (Stay)	.) '- !	-	514	5%	SLi I	-	
Pine Trade Bills (Burr)	.l - I	-		-		-	
Dollar CDs.	.) - 1	•	3.00	3.04	3.10	3.30	
SOR Linked Dep. Offer	.1 - 1	-	43	4.6	44	476	
SDR Unked Dep. Bld	.1 - 1	-	4%	4.5	44	44	
ECU Linked Dep. Offer	- I		0%	7H.	7 1	612	
BCU Linked Cop. Bid	1 - 1	-	3.00 43 47 07 83	7.4	04	3.36 41 ₆ 61 ₂ 61 ₄	
Treasury Billin (self); dine- Billis (self); dine-morth 52 discount 5.022d g.c. EO rates for pedod Aug 25, July 1, 1983 to July 30 dept indice, otheria see Deposit Rate for sums at and over hald under one months 43, p.c.; ritre-to- months 43, p.c.; ritre-to-	p per cent; TV 30 Fourt Rate 1983 to Sep 3 , 1983, Scher an daya' Red 7 daya malicu monin 23, su	Starting Exc Starting Exc 25, , 1985 S ne IVSV: 6.0 . Finance Hi 53 ₉ p.c.:Cen	A per cent out Finance. Checkes 8 & 000 p.c. Loca cuses Been Microsof Ti morries 84.	Treamury Bit Micha up der Bit 7.26 p.c. Hi Aufterfly a Radio Spc tro for Deposit Si p.c.: Over-a	te; Average as y July 30 ,19 Heforence ra nd Pinance H m Asquet 1 whee 6; Depor is months 8 :	encher re 923 . Ag ter for p cupes 3 , 1893.4 st £100 sc. stx-	

Money Market Trust Funds

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Price

(16¹)₂0 (07¹) (03¹) (epm (12¹)

Closing Price p

\$1000m, \$10000m, \$100000m, \$1000000m, \$100000m, \$1000000m, \$1000000m, \$1000000m, \$1000000m, \$1000000m, \$1000000m, \$1000000m, \$1000000m, \$10000000m, \$1000000m, \$1000000m, \$10000000m, \$

Aug 13 Change

6.75 9\c 8\2

Rooburghe Bank Ltd ... 8 Royal Bk of Scotland ... 6 ISmith & Willman Secs. 9

Members of British

Merchani Banking & Securities Houses

Unch's +0.025 Unch'd

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

250 Jupin Japin Aspin Aspin Aspin Processing Street Res.
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BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

Aug 13 Contr SSN 4058

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BASE LENDING RATES

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147	125	Patricia		
129	129	Patricia	Patricia	
129	29	20	Patricia	Patricia
129	29	20	Patricia	Patricia
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EQUITIES

Amint Latest 1990 Pard Resum 1990 Up Date 15gn Law

Care Depose Over 12 million | 5.25 | 5.78 | 3-460 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.78 | 5.

MONEY MARKET FUNDS

Money Market **Bank Accounts**

ALB Bank High Interest Cheque Account 0400 1er or ALB Bank High Interest Cheque Account 0400 182115 1230 170 1239 07 10000 182115 1230 1230 1230 07

Fidelity Money Market Account Past's Past'y Fidelity Money Market Account No. 27 (200) Past's Bartmare Money Management Ltd 15-10 Monament St Longon Krast 800 071-236 1425 HICA \$10,000 • - 450 3375 4,581 3-603 Hallfax Bidg Soc Asset Reserve Cheeses Acc Instep Read, Healtfax Bidg Soc Asset Reserve Cheeses Acc Instep Read, Healtfax Bidg Soc Asset Acc Instep Read, Healtfax Bidg Soc Asset By Bidge | CT-500-CS-599 | 2.77 | 1.70 | Case | 1.70 | Sank of | February | Special | Spe | Same Lays Select | Same Lays S | 1000-1999 | 100 225 3.01 Or | 1000-1999 | 1000 100 1 4071 Man | 1000-1999 | 1000 100 1 4071 Man | 1000-1999 | 1000 100 1 4071 Man | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000-1999 | 1000 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 |

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FT-ACTUARIES WORLD INDICES

IATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 13 1993							THURSDAY AUGUST 12 1983					DOLLAR INDEX			
Figures in parentheses show number of lines of stock	US Dollar Index	% chg (5) since 31/12/92	Pound Steding Index	Yen Index	DM Index	Local Currency Index	Local % chg from 81/12/92	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yan Index	DM Index	Local Currency Index	1993 High	1998 Low	Year ago (approx
ustralia (69)	142.78	+14.1	145.04	92.24	126.97	139.84	+15.6	3.59	143.78	145.70	93.75	128.57	140.72	144.63	117.39	131.
	166.02	+18.5	168.65	107.28	147.64	147.43	+25.6	1.32	164,88	167.09	107,51	147.44	147.47	167.13	131.18	141.
ustria (17)	147.36	+10.8	149.69	95.18	131.04	133.01	+21.8	4.31	147,24	149.21	96.00	131.55	133.80	156.78	131.18	141.
eigium (42)	125.33	+8.4	127.32	80.98	111.45	119.34	+12.1	2.83	125,48	127.1a	81.81	112.20	118.03	130.38	111.41	125
anada (108)	212.39	+14.1	215.75	137.21	188.87	204.30	+28.6	1.11	212.43	215.28	138.51	189.96	204.13	225.64	185.11	228.
enmark (33)	111.57	+60.3	113.34	72.08	99.22	138.15	+80.8	0.88	109.92	111.39	71.67	98.29	135,93	111.57	65.50	68.
Inland (23)		+8.1	161.65	102.80	141.50	151.15	+18.5	3.06	160,04	182.18	104.34	143.10	151.82	187.38	142.72	158.
rence (97)	159.13		123.17	78.34	107.83	107.83	+23.1	1.96	120.35	121.97	78.49	107.63	107.63	121.26	101,59	115
iermany (60)	121.26	+18.5		189,49	260.86	292.03	+32.6	3.26	291,25	295.15	189.90	260.45	289.88	301.61	218.82	241.
long Kong (55)	293.32	+32.4	297.97		146.13	169.94	+44.2	3.28	163.95	166.15	106.90	148.61	170.18	170.40	129.28	156.
eland (15)	164.32	+21.0	166.92	106.18		87.30	+44.6	1.87	72.00	72.87	48.94	64.38	87.14	72.93	53.78	61.
	71,99	+31.2	73.13	46.50	64.02						105.91	145.27				
aly (70)	163.55	+55.7	166.14	105.68	145.46	105.86	+27.5	0.78	182.43	184.61			105.91	163.55	100.75	89.
apan (470)	361.96	+38.4	367.66	233,82	321.87	355.82	+35.1	1.92	352.58	367.44	236.41	324.22	356.61	364.55	251.56	232.
alaysia (68)	301.30	-1.7	1644.83	1046.05	1439.94	5514.68	-1.9	0.88	1650.71	1672.81		1475.10	5609.31	1725.81	1410.30	1381.
ledco (19)	1619.21		176.95	112.53	154.91	153,17	+21.9	3.52	173.06	175.38	112,84	154.78	153.04	174.20	150.39	152.
etherland (24)	1/4.20	+15.1		36.74	50.57	54.72	+23.5	4.08	57.85	58.62	37.72	51.73	55.71	57.99	40.56	42
ew Zealand (13)	56.86	+32.6	57.76			177.44	+37.2	1.49	171.79	174.09	112.01	153.82	174.53	175.07	137.71	155
	175.07	+27.1	177.84	113.10	155.69	200.73	+24.4	1.72	269.17	272.77	175.51	240.89	199.64			
orway (22)	270.72	+26.9	275.00	174.89	240.74							177.24		270.72	207.04	184.
ingapore (38)	193.22	+30.5	196.27	124.82	171.82	198.70	+26.4	2.57	198.21	200.85	129.23		203.18	215.29	144.72	188.
outh Africa (60)	100.03	+6.3	125.89	80.08	110.21	133.41	+31.8	4.38	122.55	124.18	79.91	109.59	132,36	132.82	115.23	134.1
pain (43)	123.93	+12.1	188.50	119.88	165.03	224,44	+29.5	1.50	185.75	188.24	121.12	166.11	224,39	187.21	149.70	182.
weden (36)	185,57		132.27	84.12	115,81	123.23	+20.0	1.78	129,77	181.51	84.62	116.06	122.87	130.81	108.91	1103
witzerland (50)	130.21	+15.2	132.27	115.81	159.42	182.12	+7.9	3.84	179.68	182.09	117.14	160.66	182.08	181.99	162.00	178.
ruled Kingdom (218)	179.29	+4.0	182.12	110.01	163.74	184.12	+3.4	2.78	183.72	166.18	119.89	164,30	183.72	186.27	175.38	171.
reted Kingdom (210)	184:12	+3.4	187.03	118.95	103.74	104.12	70/-	-10	100474	100,10	110200	10-200	193.74	100.27	11333	17 1.
SA (520)			450 14	96.75	133.19	146.67	+17.5	3.05	149.68	151.67	97.58	133,84	148.82	150.60	133.92	144.3
ALCON .	149,77	+10.1	152.14		155.20	186.02	+33.7	1.33	174.10	176.43	113.52	155.69	185.39	174.96	142.13	168.5
urope (750)	174,53	+17.7	177.29	112.75		112.48	+27.3	1.04	165.54	167.75	107.94	148.03				
ordic (114)	165,55	+51.8	169.18	107.60	148.12								112.71	168.55	105.89	95.
acific Basin (714)	159.54	+32.8	162.08	103.08	141.87	126.53	+22.9	1.61	158.90	161.03	103.60	142.08	126.67	159.54	117.26	1153
uro-Pacific (1464)	159.57	+3.6	183.32	116.60	160.51	179.70	+3.7	2.78	180.10	182.51	117.44	161.08	179.32	182.38	171.51	1682
orth America (628)	180.46		133,12	84.68	116.56	125.94	+24.6	2.52	130.71	132.46	85.24	115,91	125.88	131.05	112.51	123.
urope Ex. UK (532)	131.05	+14.8		127.19	175.07	181.59	+25.8	3.05	196.81	199.45	128.35	178.01	181.53	196.82	152.70	159.1
TOPE CA UN (SOZIAMI	196,85	+26.4	199.96		141.93	128.48	+22.3	1.84	159.08	161.21	103.73	142.25	128.65	159.59		117.
acific Ex. Japan (244)	159,59	+31.4	162.12	103.11		142.18	+15.2	2.02	184.97	167.18	107.57	147.54	142.20		118.51	
orld Ex. US (1651)	165.52	+21.3	168,14	106.94	147.21									165.52	134.22	130.2
larid Ex. UK (1953)	166.70	+19.4	169,34	107.70	148.26	145.33	+14.3	2.18	186.18	188.41	108.37	148.62	145,32	188,70	137.29	134.1
odd Ex. Sc. AL (2111)	100.70	+7.2	173.34	110.25	151.77	168.07	+9.6	2.87	170.50	172.78	111.18	152.48	187,91	171.18	157.A7	159.
orld Ex. Japan (1701)	170.64			107.73	148.31	145.80	+14.4	2.19	168.29	188.51	108.43	148.71	145.82	186.78	137.32	134.4
he Would Inday (2171)	166.76	+19.5	169.40												191.92	1.045
ise values: Dec 31, 1986 4.45 (Pound Sterling) and	400 E	went D	ec 31, 1	987 = 114	.037 (US	2 IUGBX	, 80.791 (HORING S	starting)	EXI 84.94	(LOCAL)	Nontice D	ec 30, 19	88 = 139	,65 (US \$	Ince

STOCK INDICES 3010.1 3455.5 1811.4 1496.30 1275.24 1354.07 2360.7 101.93 122.68 190.4 3009.1 3451.8 1510.6 1495.38 1280.64 1359.88 2369.2 101.71 122.56 201.1 2971.8 3406.8 1491.6 1476.65 1261.80 1348.51 2360.3 101.05 2737.6 2676.3 1348.7 1086.13 1063.02 1144.79 2124.7 93.28 108.67 60.0 2986.4 3399.4 1496.8 1430.86 1269.95 1352.97 2374.5 100.83 2969.6 3392.8 1489.4 1473.92 1272.34 1348.44 2361.0 100.39 121.16 203.4 3010.1 3455.5 1511.4 1496.30 1280.64 1356.88 2379.1 101.93 3010.1 3455.8 1611.4 1496.30 1280.84 1358.88 2378.1 127.40 122.86 FT-SE 100 986.9 1379.4 664.5 61.92 990.45 938.62 49.4 49.15 50.53 43.5 FT-SE 100 FT-SE A 350 FT-A All-Share FT-SE Eurotrack 100 FT-SE Eurotrack 200 3430.8 1507.3 1481.60 1274.70 1354.98 2379.1 101.93 122.31 207.4

LONDON SHARE SERVICE BRITISH FUNDS - Cont. BRITISH FUNDS - Cont. | Deep Filteren Yearn | 115-1 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 4,321 Apr3 0ct3 1,000 134g 130c 2,900 Mr25 Se25 4,273 Jar 2, Jr2 5,150 Fe6 Ae8 1,000 Mr15 Se27 400 Jy26 Js26 6,500 Fe25 As25 6,500 Fe25 As25 1,000 Je12 De12

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LEGAL NOTICES

INSURANCE COMPANIES ACT 1982 Manifest Mahmi Insurance Limited and Municipal General Insurance Limited TRANSVER OF GENERAL BUSINESS

TRANSPER OF GENERAL BUSINESS

I. NOTICE IS HEREBY CIVEN that
Municipal Mutual Insurance Limited and
Municipal Mutual Insurance Limited applied to
the Sourany of State for Viade and Industry on
9th August 1993 for his approval, pussessis to
section 51 of the Insurance Companies Act 1982,
to transfer to Englis Star Insurance Company
Limited all their respective rights and obligations
under buildings and beddings and/or contents
patients written by them for Automobile
Association Lasurance Services Limited in the
United Kingdom prior to the close of business on
the 30th September 1992.

2. Copier of the Starences of Particulars of the

United Kingdom prior to the close of business on the 30th September 1992.

2. Copiet of the Statement of Pertuguiars of the proposed transfer are available for inspection at 25CT Old Queen Street, Westprinster, SWIII 91th, Monday to Frady, Iron 9.00 an to 5.00 pra when particulers may be impected usual 14th Segrenber 1973.

3. Written represented on concentry of State for Trade and Industry, Department of Trade and Industry, Lumrance Division, 10-18 Victoria Street, London, SWIII ONN before 19th Comber 1993. The Secretary of State will not determine the application outflish after considering only representations made to humbefore that date.

AUSINESSES FOR SALE Appear in the Financial Times on Tuesdays, Fridays and Occlarid House Saturdays, For further information or to PO Bar 262 to Albion Flace Comment (Karl Leymton on 071 973 4780 or Melaine Montalone, Kost ME

Miles on 071 873 3308

Notice of Creditor's meeting under Section Company No. 1940063
Registered in England and Wales
MAYFIELD ENVIRONMENTAL

SERVICES LIMITED Section 48(2) Insolvency Act 1986, that a Section 48(2) isolvency Act 1986, Italia american of the conceaned creditors of the above-maned company will be held an Orchard boune, 10 Albios Piace, Mandatone, Kom MEIA SIV2 on 25 August 1993 at 10 30 am, Creditors whose cleims are wholly secured are not caritiled to attred or be represented at the meeting. Other creditors are only emitted to act the deliberate for me at the

vote if: (a) They have delivered to us at the address thows below, as later than noon on 24 August 1993, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) There has been lodged with as any proay which the creditor intends to be used on his or her behalf.

Darch 6 August 1993

Signad N J Vooght and E M Shurer looks Administrative Receivers.

Coocart & Lybrand

vote if: (a) They have delivered to us at the

TRIZEC CORPORATION LTD.

Continued on next page

Senior Debenture holders of the TRIZEC CORPORATION LTD. Senior Debenture holders of the TRIZEC CORPORATION LTD. are invited to informational meetings, under the auspices of the Montreal Trust Company of Canada as trustee, with senior managers of TRIZEC at which the proposed recapitelisation plan will be discussed. The meetings will be held in London on Tuesday 17th August 1993 at the offices of Goldman Sachs International Limited, Peterborough Court, 133 Fleet Street, London EC4A 288. 2:30pm and in Zurich on Thursday 19th August 1993 at the Carlton-Etite Hotel, 41 Bahnhof Strasse, Zurich, 2:30pm. These are to be meetings for the holders of Senior Debentures and we will be monitoring attendance.

For further information please contact Mr Eldar Tuvey of Goldman Sachs International Limited, London. Tel: +(44)-(71)-774 4503. Fax: +(44)-(71)-774 4123.

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Warriors in a war of words

Christopher Parkes chronicles the clashes between Volkswagen and GM

n January I, Ferdinand Piëch was installed as chalrman of Volkswagen. He already knew the approximate scale of the task ahead of him: losses had soared in the second half of 1992. The company was losing an estimated DM400 on every Golf it sold. Its six German works could break even only if operated at more than 100 per cent of capacity. As was to emerge later, full-year net earnings crashed almost 90 per cent to DM147m (£57.10m)

on record sales of DM85.4bn. As Dan Jones, the motor industry guru and co-author of The machine that changed the world, was to remark: VW needed a man like Piēch to put a bomb under the group.

The 56-year-old Austrian engineer had come eagerly to Wolfshurg, VW's headquarters in Lower Saxony, from the relative calm of the Audi quality car division in Ingoldstadt, Bavaria, where he had been chairman. The man who once boasted that he could drive the 120km winding route from taking his foot off the accelerator, was pressing on the pedal even before he had his hands

In mid-November 1992. through the good offices of Bosch, Germany's biggest and most secretive vehicle components maker, he met his "soul-mate", José Ignacio López de Arriortua. Piech's aim was to lure Lopez away from his joh as vice-president in charge of procurement at General Motors in Detroit and install him in Wolfshurg.

Lôpez, an eccentric, visionary Basque engineer, had been given his GM job in May. He had been chosen by Jack Smith, GM president, to save the suffering automotive giant hy applying his rigorous costreduction tactics through the agency of his troupe of so-called purchasing department "warriors".

Lopez had earned his stripes and his nickname "the Rüsselsheim strangler" - as head of purchasing at Adam Opel. the US group's German subsidiary. Thanks largely to bim, Rüss-elsbeim-based Opel had become the most profitable car

maker in the country. Smith knew in December. López says, that he had been approached by VW. But then, as he did consistently through

Spaniard was to group president and his toplevel colleagues that be would not leave. As a trusted executive, he went about his busiunhlnness dered.

When he quit abruptly on March 10 this year, suspicions mushroomed about his and his closest allies' activities in the interim, in which box-loads of secret and confidential data about most of GM's future European plans were allegedly systematically collected - only

Adam Opel

to disappear. With hindsight, GM now suspects he may already have been working on VW's behalf as early as December 2 last year. On that day be asked for, and received 20 days later. GM Europe's so-called Epos list: computer-stored details of parts prices and suppliers, equivalent to up to 90 000 print out sheets. According to Mr Hans Wilhelm Gäh, vice-president of GM Europe, they were of no use to him in his UShased joh. Was the homb

already ticking?
In January, Piëch met Lopez again, at least once this month, around the time of an extraordinary meeting of the VW supervisory board on Wednesday January 13.

January 13, Wolfsburg: the

20 men responsible for appointing and overseeing the conduct of VW top management learn the scale of Mr Piecb's plans. As "preliminary" measures, the group workforce is to be cut from 270,000 to 240,000 in the medium term, and an investment plan agreed the previous summer is torn up.

Jens Neumann, a close colleague of Piëch at Audi, and newly-appointed director in charge of group strategy, is given extra responsibilities for group management development". The board agrees to meet again on March 16 to review developments.

January 14, Detroit: Lopez drafts a letter in Spanish, to be signed by Jack Smith, telling a Basque banking and construction consortium that a plan to build a super-lean production factory in Lopez's bomeland has been "put on ice" hecause of over-capacity in Europe and poor husiness conditions. López and his countrymen will have to wait for the realisation of his top-secret dream project, dubbed Plateau 6, on which be and a GM team have worked

for 18 months. January 15, Essen: López meets Neumann for the first time: object, to introduce the Basque to Klaus Liesen, chairman of Ruhrgas, head of the VW supervisory board, and the man whose blessing is needed to appoint a new director. Piech, Neumann says, was pre-

vented from attending. February 3. Munich: TopBu-siness magazine completes its March issue for printing. It contains an article on VW with pictures of new board members, including one of Lopez, marked "NEW", "Production". The Fehruary issue of Manager Magazine, just out, earmarks López as successor to Daniel Goeudevert, Piech's deputy. Negotiations have been going

on "for weeks", it says. February 3, Rüsselsheim: Lõpez attends a two-day meeting, called at his request, at which he allegedly asks for and is given details of GM Europe's purchasing, costs and new models strategies. During his visit he asks Dino Martinez, his personal assistant, to clear his Opel office and send all contents to Spain, care of Cirilo Uribe, a relation.

February 4, Frankfurt: López leaves Opel talks for a meeting with Neumann to discuss "possible" employment contract details. The GM executive. Neumann says, "leaves open" the question of his joining VW.

February 5, Eisenach: López, due to take Lufthansa flight LH4586 at 08.45 to Zürich for meetings at GM Europe, turns up unexpectedly at Opel's hrand-new low-cost factory in former East Germany, He allegedly asks for and takes documents on the plant's lowcost production system.

February 6, Rüsselsheim: He telephones Wolfsburg. Neumann says between February 4 and March 9, the two spoke several times on contract

February 9, Rüsselsheim: Martinez ships the first batch of Lopez office contents to Amorebleta, northern Spain. Around this time, Jorgé Man-

uel Gutierrez, Lòpez's closest GM associate in Detroit, is allegedly collecting Opel data. February 17, Detroit: Gutlerrea writes to Opel, asking for internal files on the Corsa,

Omega and Astra models and the following months, the the successor to the Vectra, _ plus details on engines and López earned his production plants. He will stripes - and his nickname 'the February 23, Rüsselsheim when be is due

collect them on to arrive in strangler' - at Frankfurt. February 23, Hanover: Offi-

clals in the Lower Saxony economics ministry - in a position to speak since the state owns almost 20 per cent of VW and two government ministers sit on its supervisory board - say López is to join VW at the March 16 session of the supervisory board. Privately and publicly, López denies the reports. "I am happy here," he says from

March 7. Detroit: Gathering of GM/Opel employees at Gutierrez's bome discuss "rumours" that López is about

March 8: Alleged start of three-week "recruiting" campaign said to be led by Lopez, Gutierrez and colleague Rosa rio Piazza, in which about 40 GM/Opel managers are asked to join VW. Some of the people approached were offered douale their current salaries.

March 8, Rüsselsheim: López at top-level Opel international strategy board meeting, allegedly given 2cm-thick wad of confidential documents on future strategies.

At this meeting he learns that Spain is no longer to get Plateau 6, "my dream plant". No final decision, but Hungary or Poland are more likely.

March 9. Frankfurt: López meets Neumann for second time. Neumann has a contract, signed on March 6 by Klaus Liesen. According to Neumann, the contract was wrongly dated March 5 "because that was when the meeting with Dr Liesen was originally planned". Neumann reminds Lopez

that the March 16 supervisory board meeting is close. Lopez accepts with an added proviso. that VW's life insurance on him should be effective immediately the contract is signed. At 21.57, immediately after putting his name to the document, López calls Piech "happy

ber of the VW family", according to Neumann. March 10, Rüsselsheim: Lopez attends an Opel human resources meeting. He collects a hinder of "internal" documents and asks Martinez to send them to Spain. He then flies to Detroit to inform Jack

that he would soon be a mem-

Bloomfield Hills, near Detroit: Jack Smith, Harry Pearce. GM's top laywer, and Rick Wagoner, finance director visit López and plead with him to stay. VW formally announces López is changing

March 12, Wolfsburg: Neumann receives call from an "emotionally shocked" Lôpez at 05.30 Detroit time, who allegedly says he will stick to his promise to come to VW.

March 13, Wolfsburg: at 11.00 (05.00 in Detroit) Neumann receives another call. Smith and his wife have applied more "emotional pressure", hut López is resolute. "The word of a Basque cannot be broken," he tells Neumann.

At 16.00 (10.00 in the US) on the same day, Piech tells Neumann to stay in close touch with the Spaniard.

Half an hour later. Neumann calls López, who tells him four GM board members just left his home. He has agreed not to leave the US group. He begs Piech to forgive him. "He was brokeu man," says Neumann. But by 14.00 Detroit time,

Piech and Lopez have agreed on a year's delay hefore he leaves GM for VW. The German group announces that he will not be coming "now", and blames interference from

March 13, Detroit: Late evening, at a social gathering Lopez dictates outline of a speech in regional court issues a tempothe late evening

Hans Wilhelm netti, his PR Gäb, vice alde. The speech is to be president of GM prepared for delivery at 13.00 Europe, described on March 15, Piech's attacks as and will explain 'grotesque' why he has cho-

sen to stay in the US. According to ber notes, read out recently in a court, VW had offcred to implement his plan for the Plateau 6 factory in Spain. At GM there was now a "stronger commitment". López then instructed Simonetti not

mention the plant in her draft. March 15, Detroit: GM has tried to lock Lopez in with a five-year contract. At 10.45 US time, as he put the finishing touches to his "I'm staying" speech, he calls Neumann, who notes he is "very unhappy Within 15 minutes he has had call from Piech, who asks him to get on a aircraft. López leaves almost immediately

with American Airlines. March 16. Braunschweig airport: Lopez is picked up and taken to a welcoming VW supervisory board meeting.

in Detroit, Harry Pearce orders a search of the lost executive's office. The office of Gutierrez, away on GM husiness, is also searched around this time. Gutierrez failed to return from his trip and next appeared in Wolfshurg.

March 17, Detroit: Alan Perriton, a GM purchasing executive who searched the offices. signs an affidavit that none of the secret and confidential document allegedly in the two executives' possession was to be found.

March 22, Detroit and Rüsselsheim: six of López's huying executives abruptly leave GM/ Opel, citing "personal rea-



Jack Smith: had chosen Lopez to save GM through cost-reduction



José Ignacio López de Arriortúa (left) and Ferdinand Piech: aimed to turn round Volkswagen

sons", and turn up at VW. according to Lopez, without firm joh offers or contracts.

Week beginning March 22, Wolfsburg: in VW's Rotehof guesthouse, at the suggestion of Lopez, his "warriors" allegedly destroy his personal office contents - including possibly secret or sensitive Opel material - to prevent, it is said, any such data finding its way into VW's possession.

March 25, Wolfshurg: Press statement says Werner Svetlik, procurement chief for the VW brand since January is to leave and will be replaced by Gutler-

rez on April 1. April 2, Detrolt: Harry Pearce writes to Lopez, seeking unequivocal statement on missing documents. Lopez finally replies about two weeks later that neither he nor his colleagues took any secrets

when they left and nor did they have any now. April 2, Frankfurt: A rary injunction preventing VW

from systematically recuiting Opel and GM Mld-April, Wieshaden: Witnesses allegedly hear and

see documents being shredded all night long by Jorgé Alvarez Aguirre and Rosario Piazza, two ex-Opel men who bad followed their leader to VW. April 30, Darmstadt: Opel asks public prosecutors to

investigate its subsicious of theft and industrial espionage. May 24, Hamburg: Der Spiegel publishes eight-page article: "A clear view into the guts" with detailed allegations of spying against Lopez and his

May 24. Braunschweig: Lopez reads out a statement: "What did I bring with me? My personal knowledge, motivation, a desire to make quantum leaps - and no secret documents."

May 25, Darmstadt: Prosecutors, having examined Opel evidence, announce they have enough to launch a criminal investigation. Piech tells FT Löpez approached him first. June 4, Hanover. VW super

visory hoard announces full confidence in López at annual meeting where Piech says the group will return to profit in the second half after a DM1.25hn loss in the first quar-June 14, Hanover: López

gives first press conference and says he lost all will to work at GM when he learnt his dream plant would not be built in his Basque homeland. In Madrid the same day, he reportedly claims it will be built instead by VW in 1996. He denies all allegations, and says he and Piech were brought together

by an intermediary.

June 22, Wiesbaden: Four boxes, allegedly left behind by Alvarez and Piazzo in their former home, are handed to police and on to the investigating

July 2, Wolfsburg: Daniel Goeudevert, once favoured to run VW, resigns, but is tied in with a consultancy contract. July 3, Darmstadt: Georg Nauth, prosecutors' spokesman, says the investigation has advanced a "decisive step" forward.

July 9: In a newspaper interview Piech says the Basque factory will not be built by VW at this time. It was out of the question, and he had

told López. July 14, Washington: US justice department lets it be known it is investigating the July 22, Darmstadt: Investi-López case on its own initia-

July 15, Hamburg: Der Spie gel presents written and oral evidence in the state court in a bid to prevent VW from stop ping its reporting on the issue. Witnesses contradict López affidavits on several counts. July 20, Hamburg: Court

allows Der Spiegel almost free rein, Costs, shared under German law according to the extent to which the parties involved have won or lost, are split 30:70 per cent against VW.

July 20, Wolfsburg: Neumann issues personal statement on his contacts with Lopez, stating that he never

wanted, asked for, was offered, received nr had any GM

gators reveal that boxes from Wiesbaden contain details of a secret Opei mini-car which "should be accessible or made known only to top-level management". Slides and transperencles also found had been collated and translated at the express wish of Lanez. "The investigation will continue with special emphasis on the interrogation of witnesses from VW," the prosecutors' office

July 23, Wolfsburg: Inner circle of VW supervisory board summons Piech and demands explanations and more convincing public response to charges.

July 28, Wnlfsburg: Piech reacts at press conference. called at short notice; accuses Opel of mudslinging, conducting an international war against VW and Germany, and suggests - saying, "there were other hands involved" - that GM/Opel planted secrets in Wiesbaden and may have hacked into VW's computers to plant secrets there. He says he has ordered an internal electronic audit.

Darmstadt, meanwhile investigators have received from Neumann a detailed chronology of the tug-of-war in early March when Jack Smith tried to snatch Lopez back from VW. July 29, Frankfurt: Hans Wilhelm Gab, vice president of GM Europe, describes Piech attacks as "grotesque". The VW chairman's warlike words suggested a "psychosis-like bunker mentality". July 30, Wolfsburg: Piech

calls Smith in bid to call off the

offensive. August 2, Detroit: Smith and Pisch talk on telephone. The VW chairman is told there will be no further communications until he withdraws his allegations, and even then any contacts should be in writing with David Herman, Opel chahrman. August 6, Wolfsburg Klaus esen returns from holiday in Majorca to chair an emergency

meeting of the VW supervisory board, following signs of wavering support among mem-bers, and complaints that they were not being kept fully informed.

Lopez appears to contradict his earlier public claim that he never took any secret door-ments and tells board that papers from his former offices. were destroyed, including "pos-sibly secret or sensitive" GM/ Opel material, in Wieshaden and during his stay at the group's Rotehol gnesthouse in March. The aim was to avoid any danger that such data could be circulated within . VW, he says.

The board's statement after the meeting which pledges Lopez "maitered support", and

says no grounds were found to warrant accusations of industrial espionage, notes: "No possibly secret documents left the possessinn of former GM employees and came into the possession of VW."

August 8, Rüsselsheim: Opel welcomes the "belated" admission that documents had been destroyed and returns to the gttack with a reminder that the investigations also include suspicions of theft, fraud and perjury. "Based on the present status of the investigation, it is apparent that in a concerted action thousands of pages of highly-sensitive data concerning cost-structures, manufacturing and future planning

were stolen," Opel says. August 12, Durmstadt: Prose cutors interrogate Daniel Goeudevert, the former VW director displaced nn July 2 Although out of the inner circle, he is likely to be wellinformed on the timing and details of the initial contacts between Piech and Lopez. Nauth, the prosecutors

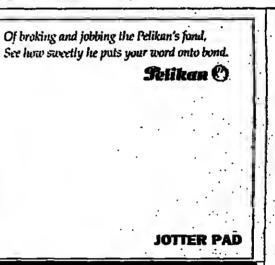
spokesman, says VW witnesse will be re-examined after reports that a female employee had told a third party that she had seen the Opel logo on data she punched into the VW computer system under instructions from an assistant to López.

August 13, Rüsselsheim Opel reveals that the FBI has demanded to see all GM group data and affidavits relevant to the case. According to one company official: "There are box loads of the stuff." In Wnifsburg, almost 12

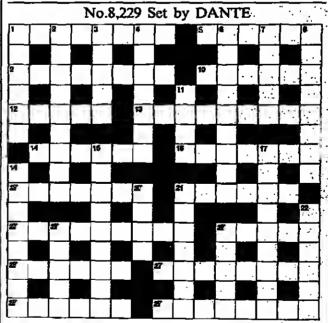
weeks after public prosecutors said they had enough evidence to support a criminal investigation, the VW supervisory board says it has appointed auditors, KPMG Deutsche Treuhand: to carry out an independent probe within Vnikswagen. August 14, Hamburg: Der Spiegel claims a dozen VW trainees punched GM/Opel data into VW computers at the end of March. Volkswagen says it will make no further com-

Michael Prowse's column appears on page 12.

ments on the case.



CROSSWORD



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introduced to battle (8) 28 Number of legs (6) 29 Contact him if the motor starts to hesitate (8)

I iron man? More deadly. according to Kipling (6) 2 Dining at a restaurant or having a picnic (6,3) Show into Poe's house? (5) 4 One sold out of a soup ingre-

American stars found in amusement park (3.6) Anxiety ehown by redhead coming in late (5) Swirling danseuse from Khartoum, perhaps (8) A drop to drink, right? (4) 15 Bargain to get across (9) 17 Surrender to another country

dient (7)

18 Sleeping partner maybe has scope to finish on the board (4.4) 20 Crackers - or what they're required for? (4)

being 21 Point behind the ship towards the sunrise (7)
22 The first to reach a sporting conclusion (6)
The strain of mourning (5) They may be pointed out in the desert (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 28.



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